EXHIBIT B

IBL BANK S.A.L.

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2020

IBL BANK S.A.L.
CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2020

TABLE OF CONTENTS

Deloitte.

Deloitte & Touche
Arabia House
131 Phœnicia Street
Ain Mreisseh, Beirut
P.O.Box 11-961
Lebanon
Tel: +961 (0) 1 364 700
Tel: +961 (0) 1 364 701
Fax: +961 (0) 1 367 087
Fax: +961 (0) 1 369 820
www.deloitte.com

DFK FIDUCIAIRE DU MOYEN-ORIENT
A member firm of DFK International

BT 32289/DTT

INDEPENDENT AUDITORS' REPORT

To the Shareholders
IBL Bank S.A.L.
Beirut, Lebanon

Adverse Opinion

We have audited the consolidated financial statements of IBL Bank S.A.L. ("the Bank") and its subsidiaries (together "the Group") which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our audit report, the accompanying consolidated financial statements do not present fairly the consolidated financial position of the Group as at December 31, 2020, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs').

Basis for Adverse Opinion

1. As explained in Note 3, the Group has not applied the requirements of IAS 29 *'Financial Reporting in Hyperinflationary Economies'* in the preparation of the consolidated financial statements for the year ended December 31, 2020. IAS 29 requires that the financial statements, and corresponding figures for previous periods, of an entity with a functional currency that is hyperinflationary, to be stated in the terms of the measuring unit current at the end of the reporting period. Had the Group applied the requirements of IAS 29 many of the elements of the accompanying consolidated financial statements, including disclosures, would have been significantly impacted. The effects on the consolidated financial statements of this departure have not been determined.

2. Note 1 to the consolidated financial statements indicates that there is currently a high degree of uncertainty surrounding the Lebanese banking industry and Lebanese economy as a whole, triggered by the severe financial crisis and unprecedented economic downturn, the effects of the Covid-19 pandemic and the explosion at Beirut Seaport in August 2020. As the situation is rapidly evolving, the magnitude of the possible adverse effects on the Lebanese economy and the banking sector, remains unknown and gave rise to unusual practices that are not considered to be in the normal course of business in a non-crisis environment as disclosed under Notes 1 and 4 to the consolidated financial statements.

   The audit evidence available to us to confirm the appropriateness of preparing the consolidated financial statements on a going concern basis was limited due to the severity of the uncertainties noted above as applicable to the Group and within the Lebanese banking sector as a whole resulting from the overwhelming systemic risk which could impact the assessment of solvency risk, liquidity and funding risk, currency risk, credit risk and profitability and the related future actions and mitigation plans and factors.

   This situation indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and in the absence of any alternative evidence available to us, we were unable to form a view as to the applicability of the going concern basis, the circumstances of which, together with the effect on the consolidated financial statements should this basis be inappropriate, could result in the Group being unable to realize its assets and discharge its liabilities in the normal course of business. The consolidated financial statements do not adequately disclose this fact. Our opinion in the prior year was also modified in respect of this matter.

3. Cash and deposits with central banks and investment securities at amortized cost, which are carried in the consolidated statement of financial position at LBP4,394.3billion and LBP1,614.5billion respectively (2019: LBP4,881.7billion and LBP2,665.6billion respectively), are mostly concentrated in Lebanon. Management has not stated these balances net of allowances for expected credit losses which take into account the significant deterioration in credit quality since initial recognition which has arisen as a result of the continuing economic crisis in Lebanon and the government default on Lebanese Eurobonds, which constitutes a departure from IFRSs. We were unable to determine the adjustments necessary to these amounts. Our opinion in the prior year was also modified in respect of this matter.

4. Deposits with banks and financial institutions, loans to banks, loans and advances to customers and loans and advances to related parties, which are carried in the consolidated statement of financial position at LBP95.8billion, LBP17.4billion and LBP759.2billion and LBP7.7billion respectively (2019: LBP284.9billion, LBP27.6billion, LBP1,005.3billion and LBP24.2billion respectively), are mostly concentrated in Lebanon. Management has not stated these exposures net of allowances for expected credit losses which take into account the full impact of the economic crisis and political turmoil in Lebanon, which constitutes a departure from IFRSs. We were unable to determine the adjustments necessary to these amounts. Our opinion in the prior year was also modified in respect of this matter.

5. Investment securities at fair value through profit or loss, which are carried in the consolidated statement of financial position at LBP348.4billion (2019: LBP108.8billion), are issued by the Lebanese government, the central bank of Lebanon and Lebanese private entities. Management has stated investment securities at fair value through profit or loss by using inputs into the determination of fair value which are not indicative of economic reality and market conditions existing in Lebanon at the reporting date, which constitutes a departure from IFRSs. We were unable to determine the adjustments necessary to this amount. Our opinion in the prior year was also modified in respect of this matter.

6. Provisions, which are carried in the consolidated statement of financial position at LBP89.3billion (2019: LBP57.8billion), include a provision for expected credit losses on off-balance sheet commitments of LBP10.5billion (2019: LBP10.5billion). Management has not stated the provision for expected credit losses on off-balance sheet commitments by taking into account the full impact of the economic crisis and political turmoil in Lebanon, which constitutes a departure from IFRSs. We were unable to determine the adjustments necessary to this amount. Our opinion in the prior year was also modified in respect of this matter.

7. Management has not disclosed the fair value of the Group's financial assets and financial liabilities at amortized cost, which constitutes a departure from IFRSs. We were unable to determine the fair value which should be disclosed. Our opinion in the prior year was also modified in respect of this matter.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* (IESBA Code) together with the Code of Ethics of the Lebanese Association of Certified Public Accountants that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Emphasis of Matter

We draw attention to Note 1 of the consolidated financial statements, which describes that the Group's assets and liabilities denominated in foreign currencies are translated to Lebanese Pounds in accordance with the accounting policy on foreign currency transactions detailed in Note 3 of the consolidated financial statements i.e. at the official exchange rate prevailing at the end of the reporting period and that the realization of these assets and the settlement of these liabilities, could be materially different. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. Except for the matters described in the *Basis for adverse opinion* section of our report, we have determined that there are no other key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. Other information consists of the information included in the Group's Annual Report other than the financial statements and our auditor's report thereon. The Group's Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of the Board of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Board of directors and those charged with governance (referred to hereafter as "management") are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Beirut, Lebanon
December 29, 2021

DFK Fiduciaire du Moyen Orient

Deloitte & Touche

IBL BANK S.A.L.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	December 31, 2020 LBP'000	December 31, 2019 LBP'000
Cash and deposits with central banks	5	4,394,337,545	4,881,658,753
Deposits with banks and financial institutions	6	95,784,301	284,895,336
Loans to banks	7	17,371,603	27,630,538
Loans and advances to customers	8	759,224,721	1,005,341,741
Loans and advances to related parties	9	7,734,896	24,164,069
Investment securities at fair value through profit or loss	10	348,409,491	108,837,955
Investment securities at amortized cost	11	1,614,504,320	2,665,605,005
Customers' liability under acceptances	12	-	1,135,791
Assets acquired in satisfaction of loans	14	53,364,352	50,773,562
Property and equipment	15	65,936,528	64,432,820
Intangible assets	16	704,697	687,199
Right-of-use assets	17	1,923,066	3,914,426
Other assets	18	17,609,222	8,871,208
Total Assets		7,376,904,742	9,127,948,403
FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK:	38		
Documentary and commercial letters of credit		-	897,863
Guarantees and standby letters of credit		75,782,599	98,205,048
Forward exchange contracts		43,065,367	10,169,592

THE ACCOMPANYING NOTES 1 TO 45 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

IBL BANK S.A.L.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

LIABILITIES	Notes	December 31, 2020 LBP'000	December 31, 2019 LBP'000
Deposits from banks and financial institutions	19	44,790,827	123,809,980
Deposits from customers	20	6,145,908,524	7,672,946,548
Deposits from related parties	20	157,812,575	235,365,256
Liability under acceptance	12	-	1,363,415
Lease liability	17	1,904,035	3,549,342
Borrowings from the central bank of Lebanon	21	188,006,070	205,153,349
Other liabilities	22	103,775,832	86,635,983
Provisions	23	89,361,216	57,750,419
		6,731,559,079	8,386,574,292
Subordinated bonds	24	65,199,375	60,676,875
Total liabilities		6,796,758,454	8,447,251,167
EQUITY			
Capital	25	150,000,000	150,000,000
Non-cumulative convertible preferred shares	26	113,034,375	113,034,375
Common shares premium		6,514,784	6,514,784
Reserves	27	180,681,349	180,763,238
Asset revaluation surplus		2,752,680	2,752,680
Regulatory reserve for assets acquired in satisfaction of loans	14	23,525,335	16,808,725
Retained earnings	27	200,811,241	380,347,948
Loss for the year		(99,528,536)	(171,837,902)
Equity attributable to equity holders of the Bank		577,791,228	678,383,848
Non-controlling interests	29	2,355,060	2,313,388
Total equity		580,146,288	680,697,236
Total Liabilities and Equity		7,376,904,742	9,127,948,403

THE ACCOMPANYING NOTES 1 TO 45 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

IBL BANK S.A.L.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year Ended December 31, 2020 LBP'000	Year Ended December 31, 2019 LBP'000
Interest income		947,078,302	1,044,295,465
Withholding tax		(84,798,395)	(69,148,638)
Interest income, net of tax	30	862,279,907	975,146,827
Interest expense	31	(373,292,258)	(749,046,021)
Net interest income		488,987,649	226,100,806
Fee and commission income	32	10,001,456	9,920,518
Fee and commission expense	33	(1,622,256)	(2,608,913)
Net fee and commission income		8,379,200	7,311,605
Net interest and other (loss)/gain on investment securities at fair value through profit or loss	35	(6,640,774)	68,244,461
Loss on derecognition of investment securities at amortized cost	11	(35,438,757)	(28,476,515)
Net loss on reclassification of financial assets from amortized cost to fair value through profit or loss	11	(184,247,763)	-
Other operating (expense)/income	34	(16,244,493)	336,436
Net financial revenues		254,795,062	273,516,793
Allowance for expected credit losses	43	(253,151,411)	(337,350,786)
Write-off of loans and advances		(436,421)	(325,819)
Net financial revenues/(loss) after impairment allowance for expected credit losses		1,207,230	(64,159,812)
Provision for risks and charges (net)	23	(9,690,174)	(829,125)
Staff costs	36	(39,048,533)	(44,520,204)
General and administrative expenses	37	(22,865,415)	(22,339,866)
Depreciation and amortization	15, 16	(2,959,963)	(3,532,176)
Depreciation of right-of-use assets	17	(706,263)	(1,030,099)
Tax on turnover	22	(24,942,156)	-
Loss before income tax		(99,005,274)	(136,411,282)
Income tax expense	22	(481,590)	(35,443,945)
Net loss for the year		(99,486,864)	(171,855,227)
Other comprehensive income		-	-
Total comprehensive loss for the year		(99,486,864)	(171,855,227)
Attributable to:			
Equity holders of the Bank		(99,528,536)	(171,837,902)
Non-controlling interests	29	41,672	(17,325)
		(99,486,864)	(171,855,227)

THE ACCOMPANYING NOTES 1 TO 45 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

IBL BANK S.A.L.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Bank										
	Capital LBP'000	Non-Cumulative Convertible Preferred Shares LBP'000	Common Shares Premium LBP'000	Reserves LBP'000	Asset Revaluation Surplus LBP'000	Regulatory Reserve for Assets Acquired Satisfaction of Loans LBP'000	Retained Earnings LBP'000	Profit/ (Loss) for the Year LBP'000	Total Attributable to the Equity Holders of the Bank LBP'000	Non-Controlling Interests LBP'000	Total LBP'000
Balance as at January 1, 2019	150,000,000	113,034,375	6,514,784	163,566,451	2,752,680	13,749,438	335,123,316	170,587,157	955,328,201	2,330,713	957,658,914
Allocation of 2018 profits	-	-	-	17,281,782	-	-	153,305,375	(170,587,157)	-	-	-
Regulatory reserve for assets acquired in satisfaction of loans	-	-	-	-	-	3,059,287	(3,059,287)	-	-	-	-
Other movement	-	-	-	(84,995)	-	-	84,995	-	-	-	-
Dividend distribution (Note 28)	-	-	-	-	-	-	(104,959,692)	-	(104,959,692)	-	(104,959,692)
Difference in exchange	-	-	-	-	-	-	(146,759)	-	(146,759)	-	(146,759)
Total comprehensive loss for the year 2019	-	-	-	-	-	-	-	(171,837,902)	(171,837,902)	(17,325)	(171,855,227)
Balance as at December 31, 2019	150,000,000	113,034,375	6,514,784	180,763,238	2,752,680	16,808,725	380,347,948	(171,837,902)	678,383,848	2,313,388	680,697,236
Allocation of 2019 losses	-	-	-	86,642	-	-	(171,924,544)	171,837,902	-	-	-
Regulatory reserve for assets acquired in satisfaction of loans	-	-	-	-	-	6,716,610	(6,716,610)	-	-	-	-
Difference in exchange	-	-	-	(168,531)	-	-	(895,553)	-	(1,064,084)	-	(1,064,084)
Total comprehensive loss for the year 2020	-	-	-	-	-	-	-	(99,528,536)	(99,528,536)	41,672	(99,486,864)
Balance as at December 31, 2020	150,000,000	113,034,375	6,514,784	180,681,349	2,752,680	23,525,335	200,811,241	(99,528,536)	577,791,228	2,355,060	580,146,288

THE ACCOMPANYING NOTES 1 TO 45 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

IBL BANK S.A.L.
CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year Ended December 31, 2020 LBP'000	Year Ended December 31, 2019 LBP'000
Cash flows from operating activities:			
Net loss for the year		(99,486,864)	(171,855,227)
Adjustments for:			
Depreciation and amortization	15, 16	2,959,963	3,532,176
Amortization of right-of-use	17	706,263	1,030,099
Adjustment due to change in lease terms	17	180,434	-
Unrealized loss on investment securities at fair value through profit or loss	35	11,008,140	291,684
Allowance for expected credit losses	43	253,151,411	337,350,786
Write-off of loans and advances		436,421	325,819
Provision for risks and charges	23	9,690,174	829,125
Provision for loss in foreign currency position		23,925,891	6,611,969
Other adjustments and effect of exchange difference		(1,035,093)	(143,886)
Provision for employees' end-of-service indemnities	23	902,021	100,520
Gain on disposal of property and equipment	15	17,522	-
Write-off of property and equipment	15	898	562
Interest expense	31	373,292,258	749,046,021
Interest income	30, 35	(896,268,396)	(1,011,970,016)
Income tax expense	22	481,590	35,443,945
		(320,037,367)	(49,406,423)
Net decrease in loans and advances to customers		234,243,442	190,507,463
Net decrease in loans and advances to related parties		15,912,372	46,329,410
Net decrease in investment securities		682,723,491	1,598,083,585
Net decrease/(increase) in compulsory reserves and deposits with central banks		784,634,448	(1,160,999,649)
Net decrease in loans to banks and financial institutions		10,400,000	10,600,000
Net (decrease)/increase in borrowings from banks and financial institutions		(78,575,578)	8,823,552
Net decrease in deposits from customers		(1,488,878,787)	(839,510,934)
Net decrease in deposits from related parties		(76,946,561)	(81,204,777)
Net (increase)/decrease in other assets		(8,738,014)	1,531,163
Net increase in other liabilities		16,980,577	14,550,390
Settlements made from provisions (net)	23	(2,809,548)	(1,321,252)
		(231,091,525)	(262,017,472)
Interest paid		(407,810,703)	(754,703,673)
Interest received		920,018,223	1,012,369,129
Income tax paid		(322,318)	(33,693,006)
Net cash generated by/(used in) operating activities		280,793,677	(38,045,022)
Cash flows from investing activities:			
Acquisition of property and equipment	15	(4,449,887)	(6,499,384)
Acquisition of intangible assets	16	(84,328)	(214,964)
Net cash used in investing activities		(4,534,215)	(6,714,348)
Cash flows from financing activities:			
Dividends paid	28	-	(104,959,692)
Decrease in borrowings from central bank of Lebanon		(17,147,279)	(12,234,313)
Settlement of lease liability	17	(708,631)	(1,718,529)
Net cash used in financing activities		(17,855,910)	(118,912,534)
Net increase/(decrease) in cash and cash equivalents		258,403,552	(163,671,904)
Cash and cash equivalents - Beginning of year		604,372,535	768,044,439
Cash and cash equivalents - End of year	40	862,776,087	604,372,535

THE ACCOMPANYING NOTES 1 TO 45 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

IBL BANK S.A.L.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

1. GENERAL INFORMATION

IBL Bank S.A.L. (the "Bank") is a Lebanese joint-stock company registered in the Lebanese commercial register under No. 10472 and in the central bank of Lebanon under No. 52. The consolidated financial statements of the Bank comprise the financial statements of the Bank and those of its subsidiaries (the "Group"). The Group is primarily involved in investment, corporate and retail banking.

The Group operates through a network consisting of 20 branches in Lebanon, 3 branches in Iraq and one branch in Limassol, Cyprus.

The Bank's board of directors held on July 6, 2020 decided to close and liquidate all Bank branches operating in Baghdad, Basra and Erbil and to withdraw permanently from the Iraqi Banking market. The closure and liquidation procedures are in process and still pending certain legal and other formalities.

The Bank's headquarters are located in Beirut, Lebanon.

The consolidated subsidiaries consist of the following as at December 31:

Name of Subsidiary	Inception Date	Ownership		Country of Incorporation	Business Activity
		2020	2019		
		%	%		
Al-Itihadiah Real Estate S.A.L.	May 31, 1979	99.97	99.97	Lebanon	Real Estate Properties
IBL Holding S.A.L.	November 11, 2008	99.70	99.70	Lebanon	Holding
IBL Brokerage S.A.L.	March 14, 2006	99.80	99.80	Lebanon	Insurance Brokerage
IBL Investment Bank S.A.L.	January 8, 2011	97.99	97.99	Lebanon	Investment Bank

1.1 The Macro Economic Environment

Since the last quarter of 2019, Lebanon has been witnessing severe events which had and continue to have a significant impact on the fiscal, monetary and economic outlook along with their related adverse impact on the business community as a whole and the banking system in particular, mainly: social unrest and business disruption across the country, series of downgrades to the level of default ranking for private and sovereign credit risk by all major rating agencies, restrictions on cash withdrawals and movement of funds in foreign currencies, non-ability to transfer funds from local bank accounts in foreign currency to foreign accounts with correspondent banks, and the Lebanese Republic default on its Eurobonds due on March 9, 2020 and then the decision to discontinue payments on all of its outstanding USD-denominated Eurobonds. The Eurobonds default precludes access to international markets for foreign financing, while the domestic banking system is severely impaired.

The dry up of the dollar inflow to the country, precipitated systemic failures across banking, debt and the exchange rate. A significant portion of the Lebanese banks holdings consist of sovereign lending, including deposits with central bank of Lebanon, which made banks unable to meet their dollar obligations to customers. A *de facto* restriction on outbound transfers and foreign currency cash withdrawals, were imposed to preserve the foreign currency left in the country. The difficulty in accessing foreign currencies led to the emergence of a parallel market to the official peg whereby the price to access foreign currencies increased, deviating significantly from the official peg of 1507.5 LBP/USD. This has resulted in an uncontrolled rise in prices driving high inflation and rise in the consumer price index, loss of confidence in the economy and deterioration in the economic fundamentals.

The financial crisis has been intensified by the devastating explosion occurred on August 4, 2020 at the Beirut seaport causing severe property damages across a wide area of the capital along with a large number of casualties, and the COVID-19 pandemic which particularly hit the tourism sector.

The central bank of Lebanon efforts to control foreign exchange and slow the loss of foreign currency reserves, led to multiple exchange rates, however unsustainable.

On April 30, 2020, the Lebanese Council of Ministers approved the Lebanese Government's Financial Recovery Plan (the Plan) which includes among other items, reviewing the peg policy, restructuring of the government debt, restructuring of the financial system and the banking sector, and international financial assistance. On May 1, 2020, a formal request for support from the International Monetary Fund (IMF) was addressed to the IMF and discussion is still ongoing at the date of issue of the financial statements with no progress made so far.

In this respect the Association of Banks in Lebanon (ABL) has challenged the Government's Plan for many uncertainties associated with the Plan and the assumptions made in it. The ABL submitted an alternative approach to tackling the Lebanese economic crisis in general and the banking crisis in particular.

1.2 Central Bank of Lebanon policy initiatives

Since the beginning of the crisis in October 2019, the central bank of Lebanon ("BDL") has issued a series of circulars reflecting on policy initiatives and crisis management. Below is brief of the key circulars:

<u>Regulatory framework:</u>

- Intermediate Circular 567:
- BDL licensees should apply the following minimum regulatory expected credit loss ("ECL") ratios, while permitting banks to constitute progressively those ECLs over a period of 5 years (starting from 2020). The BDL Central Council may consider the extension of the period to 10 years, for banks that manage to complete the 20% cash contribution to capital requirement.
  Foreign currency placements with BDL, including Certificates of Deposits: 1.89%
  Local currency deposits with BDL: 0%
  Lebanese government bonds in foreign currencies: 45%
  Lebanese treasury bills in local currency: 0%

- BDL licensees are allowed not to downgrade loans exposures showing past dues (principal and interest) between February 2020 and December 2020 as a result of COVID-19, unless borrower ceases to operate as a going concern, in which case exposure should be automatically downgraded to Stage 3.

- Prohibition of dividends distribution on banks' common shares for the years 2019 and 2020.

- By December 31, 2020, banks should complete a 20% increase of the common equity tier 1 capital as at December 31, 2018. The BDL Central Council may consider for banks to complete 50% of this capital increase through transfer of real estate by the shareholders, provided these a liquidated within 5 years.

- Allowing banks to include the revaluation surplus of Property and Equipment in Tier I capital, subject to BDL approval on the revaluation.

- Banks must comply with the minimum capital adequacy ratios. Bank should refrain from dividend distribution, should these ratios fall below 7% for common equity Tier I ratio; 10% for tier I ratio; and 12% for total capital ratio.

  Furthermore, if the capital conservation buffer on common equity falls below 2.5% of risk weighted assets during 2020 and 2021, banks should rebuild the gap by end of 2024, by a minimum of 0.75% per year, starting 2022.

- Banks are required to submit to a comprehensive plan, reflecting the banks' strategies to comply with the regulatory minimum capital requirements, including the timeline to achieve compliance. The plan should incorporate allowances required by the Banking Control Commission of Lebanon against different risks banks are exposed to.

- As exceptional measures, 100% of ECL on Stage 1 and Stage 2 exposures (except those against sovereign and BDL exposures in local and foreign currency), may be added to common equity Tier I capital. These will be gradually amortized to 75% in 2022, 50% in 2023 and 25% in 2024.

• Basic Circular 154

  - Banks should perform a fair value assessment of their assets and liabilities and set a plan to comply with all applicable regulatory requirements, namely those related to liquidity and capital adequacy, and restore their levels of service which were in place before the economic crisis. Banks should also submit a request to the BDL Central Council to reconstitute/raise their capital to the required levels by the end of the first quarter of the year 2021, where applicable. In this respect, banks shall consider soliciting their depositors to convert their deposits into shares or bonds, provided listing the bank's shares on the Beirut Stock Exchange.

  - In order to enhance their offshore liquidity, banks are required to instigate those depositors to repatriate 30% (in the case of banks' key executives and politically exposed persons) and 15% (for other depositors) of their overseas transfers made since July 1, 2017 and exceeding the equivalent of USD 500,000. Funds received will be deposited in special saving accounts for 5 years and will not be subject to compulsory reserve requirements.

- Banks should secure by February 28, 2021, offshore foreign currency deposits equivalent to a minimum of 3% of their total foreign currency as at July 31, 2020.

- Intermediate Circular 575 approving banks to book exceptionally one third of the capital gains arising from the revaluation of assets received in settlement of debts, under Tier II capital subject to the approval of the BDL Central Council on the revaluation methodology and raising capital before December 31, 2021 as follows:

  - Add a maximum of one third of the revaluation gains under Tier 2 capital,

  - Increase common equity Tier I capital in cash by an amount at least equivalent to the amount of the revaluation gains booked under Tier II capital.

<u>Monetary and exchange rate policies and socio-economic support:</u>

- Intermediate Circular 536: Stipulates the following measures:

  - Interest earned on by banks on USD Certificates of Deposits issued by BDL, are received 50%-50% in USD and LBP respectively. Similarly, interest on customers deposits denominated in foreign currencies are paid 50%-50% in the account currency and LBP respectively.

  - Banks should comply with interest rate ceilings on customer deposits capped at 5% and 8.5% on foreign currency and LBP denominated deposits respectively.

  - The Beirut Reference Rates (BRR) should reflect the lower deposit rates.

- Basic Circular 150 exempting banks from compulsory reserve requirements on fresh foreign currency deposits received after April 9, 2020, subject to conditions.

- Basic Circulars 148 and 151 and Intermediate Circulars 549 and 565 allowing withdrawals of pre-crisis customers' deposits foreign currency accounts at the BDL platform rate subject to limits set by banks.

- Intermediate Circulars 547 and 552 requesting banks to rollover loans to customers in local and foreign currencies maturing between March 2020 to June 2020 up to 5 years at zero interest rate and fees, subject to the bank assessment of the customers' inability to settle their dues because of the economic situation. BDL also allowed the extension of loans to businesses to fund salaries and operating expenses, at the same terms mentioned above. In return, BDL would extend loans to banks in USD at zero interest rates against those loans to banks' customers.

- Basic Circular 152 and Intermediary Circular 569 allowing banks extension of loans up to 5 years at zero interest rate, to help those affected by the Beirut Seaport explosion. In return, BDL would extend loans to banks in USD at zero interest rates against those loans to banks' customers.

- Intermediate Circular 568 requesting banks to accept repayment by resident customers of their USD denominated retail loans (up to USD 800,000 for housing loans and USD 100,000 for retail loans) in local currency at the official exchange rate (LBP 1507.5 to the USD).

1.3 The Group's Financial particulars

The Group's monetary assets and liabilities in foreign currency, were converted in Lebanese Pound at the official exchange rate peg of USD1 = LBP1,507.5 which is the rate that Lebanese banks and other regulated entities are legally required to use. As the official exchange rate significantly deviated from the exchange rates in the parallel markets, the valuation of assets and liabilities in foreign currencies at a different rate is expected to significantly impact the Group's financial statements once the regulatory authorities adopt a free-floating exchange rate policy or implement a new legal exchange mechanism. Foreign currency mismatch is detailed in Note 43(C) to these consolidated financial statements.

The material uncertainties discussed under Note 1.1 above and the lack of observable indicators, have impacted management ability to formulate adequate loss allowances on the Group's exposures to BDL, Lebanese government bonds, deposits with banks, and other financial instruments originated by Lebanese banks and other corporate entities. Therefore, the loss allowances recognized in these consolidated financial statements do not represent a reasonable estimate of the expected credit losses on these exposures and have not been assessed in accordance with IFRS 9. This applies as well to the credit risk staging of these exposures as disclosed in these consolidated financial statements. The basis of the loss allowances recognized by the Group against BDL and sovereign exposures is described under Note 43.

The adverse economic conditions and the severe recession resulted in a significant deterioration of the credit quality of the customers' loans portfolio concentrated in Lebanon since the last quarter 2019 despite the drop in the customers' loans portfolio. The Group's credit assessment of the customers' loans portfolio is based on information available to management which did not take into account the circumstances prevailing as a result of the continuing and aggravating economic crisis and recession which has further deteriorated as a result of the explosion in the seaport of Beirut and Covid-19 pandemic. Given the high level of uncertainties, Management is unable to estimate in a reasonable manner the impact of these matters on Group's financial position.

Fair values of financial assets originated in Lebanon have been determined by the Group using notional prices quoted on inactive and illiquid markets or using yield curves that are not reflective of economic reality and market conditions. In the absence of reliable data, the Group did not disclose the fair value of financial assets and financial liabilities measured at amortized cost as required by IFRS 13 *Fair Value Measurements.*

The downgrade of sovereign credit rating, the increase in credit, liquidity, market and operational risks across all business sectors, the de-facto capital controls and restrictions on transfers of foreign currency overseas exposing the banking sector to litigation, the current and future possible changes to fiscal, economic and political conditions as well as changes to the legal and regulatory landscape in the Republic of Lebanon stemming from the above events and the declared Government's Recovery Plan have led to significant uncertainties and the full range of effects on the banking sector in general and on the Group's financial standing is unknown.

Management has significant concerns about the effects that the above matters will have on the equity of the Group and the recapitalization needs that will arise once the necessary adjustments are determined and recorded.

The Group's Management's current strategy is to continue operations with limited scope of services and transactions, similarly to the banking sector as a whole, as they have since October 17, 2019.

As disclosed in Note 41 to these consolidated financial statements, the Group's capital adequacy ratio as at December 31, 2020, similarly to other applicable regulatory ratios, was calculated based on the disclosed figures, and did not take into consideration the adjustments that will result from the uncertainties reflected above once these uncertainties become reasonably quantifiable.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

2.1 New and amended IFRS that effective for the current year

The Group has applied the following amendments to IFRS which became effective for annual periods beginning on or after January 1, 2020:

- *Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions*
  In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16). The amendments provide relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

- *IBOR Transition (Interest Rate Benchmark Reform)*
  In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) (IBOR reform Phase 1). IBOR reform Phase 1 provides a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. Such reliefs permit to assume that hedging relationships are unaffected by the uncertainties caused by IBOR reform. This includes assuming that hedged cash flows are not altered as a result of IBOR reform. Also, the reliefs allow to not discontinue hedging relationships as a result of retrospective or prospective ineffectiveness. IBOR Reform Phase 1 also requires additional disclosures in relation to those hedging relationships to which the reliefs are applied.

- *Annual Improvements to IFRS Standards 2018–2020 Cycle amending IFRS 1, IFRS 9, IFRS 16, and IAS 41.*

- *Amendments to References to the Conceptual Framework in IFRS Standards*

  The amendments include consequential amendments to affected Standards so that they refer to the new *Framework*. Not all amendments, however, update those pronouncements with regard to references to and quotes from the *Framework* so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the *Framework* they are referencing to (the IASC *Framework* adopted by the IASB in 2001, the IASB *Framework* of 2010, or the new revised *Framework* of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised *Conceptual Framework*. The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

- *Amendments to IAS 3 Definition of a business*

  The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or Portfolio of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

- *Amendments to IAS 1 and IAS 8 Definition of 'material'*
  The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the *Conceptual Framework* that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

The application of the above amendments to IFRS did not have a material impact on the Group's accounting policies, financial position or performance.

2.2 New and revised IFRS in issue but not yet effective and not early adopted

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- *Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16*
  In August 2020 the IASB issued Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, (IBOR reform Phase 2) to address the accounting issues which arise upon the replacement of an IBOR with a risk-free rate ("RFR").
  IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to RFR. As a practical expedient, changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.
  Effective for annual periods beginning on or after 2021.

- *IFRS 3 — Reference to the Conceptual Framework*
  Amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.
  Effective for annual periods beginning on or after 2022.

- *IFRS 9 — Financial Instruments*
  Amendments resulting from annual improvements to IFRS standards 2018-2020 (fees in the '10 per cent' test for derecognition of financial liabilities).
  Effective for annual periods beginning on or after 2022.

- *IAS 16 — Property, Plant and Equipment*
  Amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
  Effective for annual periods beginning on or after 2022.

- *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*
  Amendments specify that the 'cost of fulfilling' a contract comprises the 'cost that relate directly to the contract'.
  Effective for annual periods beginning on or after 2022.

- *Amendments to IAS 1 Presentation of Financial Statements*
  Amendments regarding the classification of liabilities as Current or Non-current.
  Effective for annual periods beginning on or after 2023.

- *IFRS 17 Insurance Contracts*
  IFRS 17 supersedes IFRS 4 *Insurance Contracts* as at 1 January 2023.
  Effective for annual periods beginning on or after 2023.

- Amendments to IFRS 10 *Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.
  Effective date deferred indefinitely. Adoption is still permitted.

The directors anticipate that these new standards, interpretations, and amendments will be adopted in the Group's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendment, may have no material impact on the financial statements of the Group in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value as described below.

Assets and liabilities are grouped according to their nature and presented in the consolidated statement of financial position in an approximate order that reflects their relative liquidity.

The consolidated financial statements are presented in Lebanese Pound (LBP) which is the Bank's functional currency. All values are rounded to the nearest thousands, except when indicated otherwise.

Hyperinflation in Lebanon

IAS 29 '*Financial Reporting in Hyperinflationary Economies*' does not prescribe when hyperinflation arises, however it does provide characteristics of an economic environment of a country which indicate hyperinflation and allows judgement as to when restatement of financial statements becomes necessary. Characteristics of the economic environment of a country which indicate the existence of hyperinflation include:

- the cumulative inflation rate over three years approaches, or exceeds, 100%;
- the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;
- the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;
- sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short; and
- interest rates, wages, and prices are linked to a price index.

During the year ended December 31, 2020, the economic environment in Lebanon experienced the acceleration of inflation indices, a three-year cumulative inflation rate exceeding 100%, and the significant devaluation of the Lebanese Pound. Judgement applied, determine that there were sufficient characteristics in Lebanon to consider its economy hyperinflationary as of December 31, 2020.

The basic principles in IAS 29 is that the financial statements of an entity that reports in the currency of a hyperinflationary economy should be stated in terms of the measuring unit current at the balance sheet date. Comparative figures for prior period(s) should be restated into the same current measuring unit.

Restatements are made by applying a general price index. Items such as monetary items that are already stated at the measuring unit at the balance sheet are not restated. Other items are restated based on the change in the general price index between the date those items were acquired or incurred and the balance sheet date.

A gain or loss on the net monetary position is included in net income. The restated amount of a non-monetary position is reduced, in accordance with appropriate IFRSs when it exceeds its recoverable amount.

The Company was not able to apply the principles of IAS 29 in the preparation of these financial statements due to the following considerations: the significant divergence in market perception of the exchange rate in comparison to the official exchange rate; lack of consensus on the use of same general price index issued by governmental body and lack of any views of relevant regulators including taxation.

The principal accounting policies are set out below.

A. **Basis of Consolidation**

The consolidated financial statements of the Bank incorporate the financial statements of the Bank and enterprises controlled by the Bank (its subsidiaries) as at the reporting date. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Bank controls an investee if and only if the Bank has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Bank has less than a majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Bank's voting rights and potential voting rights.

The Bank re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where applicable, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by the Bank .

All intra-group transactions, balances, income and expenses (except for foreign currency transaction gains or loss) are eliminated on consolidation. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Changes in the Bank 's ownership interests in subsidiaries that do not result in the Bank losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Bank's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Bank.

Upon the loss of control, the Bank derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Bank retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

B. Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks, and except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future, which are recognized in other comprehensive income, and presented in the translation reserve in equity. These are recognized in profit or loss on disposal of the net investment.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Lebanese Pounds using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss.

C. Financial Instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Group will account for such difference as follows:

- If fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);
- In all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

D. Financial Assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI;
- All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

However, the Group may make the following irrevocable election / designation at initial recognition of a financial asset on an asset-by-asset basis:

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI; and
- The Group may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Debt instruments at amortised cost or at FVTOCI

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

The Group reassess its business models each reporting period to determine whether the business models have changed since the preceding period.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

In the current and prior reporting period the Group has applied the fair value option and so has designated debt instruments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

Financial assets at FVTPL

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described below.

Reclassifications

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets.

Impairment

The Group recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- deposits at banks;
- loans and advances to banks;
- loans and advances to customers;
- customers' liability under acceptances;
- debt investment securities;
- loan commitments issued; and
- financial guarantee contracts issued.

No impairment loss is recognised on equity investments.

With the exception of Purchased or Originated Credit Impaired (POCI) financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

- for undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down; and
- for financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event-instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

Purchased or originated credit-impaired (POCI) financial assets

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Group recognises all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in profit or loss. A favorable change for such assets creates an impairment gain.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Group considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Group; or
- the borrower is unlikely to pay its credit obligations to the Group in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Group uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

Significant increase in credit risk

The Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment including forward-looking information.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

When a financial asset is modified the Group assesses whether this modification results in derecognition. In accordance with the Group's policy a modification results in derecognition when it gives rise to substantially different terms.

The Group derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

Exchange of securities

Debt securities exchanged against securities with longer maturities with similar risks, and issued by the same issuer, are not derecognized because they do not meet the conditions for derecognition. Premiums and discounts derived from the exchange of said securities are deferred to be amortized as a yield enhancement on a time proportionate basis, over the period of the extended maturities.

Write-off

Loans and debt securities are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVTOCI: no loss allowance is recognised in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve;
- for loan commitments and financial guarantee contracts: as a provision; and
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

E. Financial Liabilities and Equity

Classification as debt or equity:

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue, or cancellation of the Group's own equity instruments.

The component parts of compound instruments (convertible notes) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments is an equity instrument.

Financial Liabilities:

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are subsequently measured at amortized cost using the effective interest method.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and the entire
- combined contract is designated as at FVTPL in accordance with IFRS 9.

F. Offsetting

Financial assets and liabilities are set-off and the net amount is presented in the statement of financial position when, and only when, the Group has a currently enforceable legal right to set-off the recognized amounts or intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

G. Fair Value Measurement of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured by taking into account the characteristics of the asset or liability that if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

For financial reporting purposes, fair value measurement are categorized into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - Inputs, other than quoted prices included within Level 1, that are observable for the asset and liability either directly or indirectly; and
- Level 3 - Inputs are unobservable inputs for the asset or liability.

H. Derivative Financial Instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded Derivatives

Derivatives embedded in other financial instruments or other host contracts with embedded derivatives are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contract:

- is not measured at fair value with changes in fair value recognized in profit or loss.
- is not an asset within the scope of IFRS 9.

I. Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- The amount of the loss allowance determined in accordance with IFRS 9; and
- The amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the Group's revenue recognition policies.

The Group has not designated any financial guarantee contracts as at FVTPL.

J. <u>Hedge Accounting</u>

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations as appropriate. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. The Group does not apply fair value hedge accounting of portfolio hedges of interest rate risk. In addition the Group does not use the exemption to continue using IAS 39 hedge accounting rules, i.e. the Group applies IFRS 9 hedge accounting rules in full.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The Group rebalances a hedging relationship in order to comply with the hedge ratio requirements when necessary. In such cases discontinuation may apply to only part of the hedging relationship. For example, the hedge ratio might be adjusted in such a way that some of the volume of the hedged item is no longer part of a hedging relationship, hence hedge accounting is discontinued only for the volume of the hedged item that is no longer part of the hedging relationship.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

In some hedge relationships the Group designates only the intrinsic value of options. In this case the fair value change of the time value component of the option contract is deferred in OCI, over the term of the hedge, to the extent that it relates to the hedged item and is reclassified from equity to profit or loss when the hedged item does not result in the recognition of a non-financial item. The Group's risk management policy does not include hedges of items that result in the recognition of non-financial items, because the Group's risk exposures relate to financial items only.

The hedged items designated by the Group are time-period related hedged items, which means that the amount of the original time value of the option that relates to the hedged item is amortised from equity to profit or loss on a rational basis (e.g. straight-line) over the term of the hedging relationship.

In some hedge relationships the Group excludes from the designation the forward element of forward contracts or the currency basis spread of cross currency hedging instruments. In this case a similar treatment is applied to the one applied for the time value of options. The treatment for the forward element of a forward and the currency basis element is optional and the option is applied on a hedge by hedge basis, unlike the treatment for the time value of the options which is mandatory. For hedge relationships with forwards or foreign currency derivatives such as cross currency interest rate swaps, where the forward element or the currency basis spread is excluded from the designation the Group generally recognises the excluded element in OCI.

Fair value hedges

The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at FVTOCI in which case it is recognised in OCI.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the part of the fair value gain or loss on the hedged item associated with the hedged risk is recognised in profit or loss instead of OCI. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain/loss remains in OCI to match that of the hedging instrument.

Where hedging gains/losses are recognised in profit or loss, they are recognised in the same line as the hedged item.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of hedged items for which the EIR method is used (i.e. debt instruments measured at amortised cost or at FVTOCI) arising from the hedged risk is amortised to profit or loss commencing no later than the date when hedge accounting is discontinued.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in the cash flow hedging reserve, a separate component of OCI, limited to the cumulative change in fair value of the hedged item from inception of the hedge less any amounts recycled to profit or loss.

Amounts previously recognised in OCI and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. If the Group no longer expects the transaction to occur that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised, or where the occurrence of the designated hedged forecast transaction is no longer considered to be highly probable. The discontinuation is accounted for prospectively. Any gain/loss recognised in OCI and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain/loss accumulated in equity is reclassified and recognised immediately in profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain/loss on the hedging instrument relating to the effective portion of the hedge is recognised in OCI and accumulated in the foreign currency translation reserve.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss in the same way as exchange differences relating to the foreign operation.

K. Repurchase and Reverse Repurchase Agreements

Securities sold under agreements to repurchase at a specified future date ("repos") are not derecognized from the consolidated statement of financial position. The corresponding cash received, including accrued interest, is recognized on the consolidated statement of financial position reflecting its economic substances as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate method.

Conversely, securities purchased under agreements to resell at a specified date are not recognized in the consolidated statement of financial position. The consideration paid, including accrued interest is recorded in the consolidated statement of financial position reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is treated as interest income in the consolidated statement of profit or loss and is accrued over the life of the agreement using the effective interest rate method.

L. Property and Equipment

Property and equipment except for buildings acquired prior to 1999 are stated at historical cost, less accumulated depreciation and impairment loss, if any. Buildings acquired prior to 1999 are stated at their revalued amounts, based on market prices prevailing during 1999 less accumulated depreciation and impairment loss, if any.

Depreciation is recognized so as to write off the cost or valuation of property and equipment, other than land and advance payments on capital expenditures less their residual values, if any, using the straight-line method over the useful lives estimated as follows:

	Rates %
Buildings	2
Freehold improvements	20
Furniture and equipment	8
Computer equipment	20
Vehicles	20

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

M. Intangible Assets

Intangible assets consisting of computer software are amortized on a straight-line basis over 5 years. Intangible assets are subject to impairment testing.

N. Impairment of Non-Financial Assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial, asset other than investment properties and deferred taxes, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

An impairment loss in respect of goodwill is not reversed.

O. Leasing

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment of non-financial assets' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

P. Assets acquired in satisfaction of loans

Real estate properties acquired through the enforcement of collateral over loans and advances, in accordance with the central bank of Lebanon main circular 78, are initially recognized at their fair value as approved by Banking Control Commission and are subsequently measured at cost less any accumulated impairment losses. The acquisition of such assets is regulated by the local banking authorities that require the liquidation of these assets within 2 years from the Banking Control Commission approval date. In case of default of liquidation, the regulatory authorities require an appropriation of a special reserve from the yearly profits reflected in equity.

Upon sale of repossessed assets, any gain or loss realized is recognized as a separate line item in the statement of profit or loss. Gains resulting from the sale of repossessed assets are transferred to reserves to be used for capital increase starting in the following financial year.

Q. Provision for Employees' End-of-Service Indemnity

The provision for employees' termination indemnities is based on the liability that would arise if the employment of all the employees' were voluntary terminated at the reporting date. This provision is calculated in accordance with the directives of the Lebanese Social Security Fund and Labor laws based on the number of years of service multiplied by the monthly average of the last 12 months' remunerations and less contributions paid to the Lebanese Social Security National Fund.

R. Provisions

Provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are discounted where the impact is material.

S. Deferred Restricted Contributions

Restricted contributions derived from special and non-conventional deals arrangement concluded with the regulator are deferred until designated conditions for recognition are met. At the time income is received it is deferred under "regulatory deferred liability" and applied to the designated purpose according to the regulator's requirements.

T. Net Interest Income

Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated as at FVTPL are recognised in 'Net interest income' as 'Interest income' and 'Interest expense' in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period, see 'Net (loss)/income from financial assets at fair value through profit or loss.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities.

U. Net fee and Commission Income

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or liability (e.g. commissions and fees earned on loans) are included under interest income and expense.

Other fee and commission income are recognized as the related services are performed.

V. Net (Loss)/Income From Financial Assets At Fair Value Through Profit Or Loss

Net income from financial instruments financial instruments at FVTPL includes all gains and losses from changes in the fair value of financial assets and financial liabilities at FVTPL and related interest income, expense and dividends.

W. Dividend income

Dividend income is recognized when the right to receive payment is established. Dividends on equity instruments designated as at fair value through other comprehensive income are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the investment, in which case it is presented in other comprehensive income.

X. Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax is recognized in the statement of profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in other comprehensive income.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss because of the items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the statement of financial position and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Y. Cash and Cash Equivalents

Cash and cash equivalents comprise balances with original contractual maturities of a period of three months including: cash and balances with the central banks and deposits with banks and financial institutions.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors are required to make judgments, estimates and assumptions about the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

A. Critical accounting judgments in applying the Group's accounting policies:

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in financial statements:

Going concern:

Notwithstanding the uncertainties resulting from the events and conditions disclosed under Note 1, these consolidated financial statements have been prepared based on the going concern assumption which assumes that the Group will have adequate resources to continue in operational existence for the foreseeable future. However, the Directors highlight that the current market circumstances and uncertainties disclosed in Note 1, which has been worsened by the COVID-19 pandemic, which are outside their control, represent material uncertainties that may cast significant doubt on the entity's ability to continue as a going concern. The Board of Directors and those charged with governance believe that they are monitoring the current situation and taking all possible attainable remediation actions under the circumstances to ensure the sustainability of the business and viability of the Group.

Provision for expected credit losses:

Management is required to use significant judgments and estimates to estimate the amounts and timing of future cash flows and assess the risks of a significant increase in credit risks for financial assets after initial recognition and future measurement information for the expected credit losses. The most important policies and estimates used by the Group's management are detailed in Note 43.

Business model assessment:

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed. The Group monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase of credit risk:

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. Refer to Note 43 for more details.

Establish groups of assets with similar credit risk characteristics:

When the expected credit losses are measured on a collective basis, the financial instruments are grouped on the basis of common risk characteristics (e.g. instrument type, credit risk, collateral type, initial recognition date, remaining maturity period, industry, borrower's geographic location, etc.). The Group monitors the appropriateness of credit risk characteristics on an ongoing basis to assess whether they are still similar.

Re-division of portfolios and movements between portfolios:

The re-division of portfolios and movements between portfolios is more common when credit risk increases significantly (or when such a large increase is reflected). Therefore, assets are transferred from expected credit losses of between (12) months to another portfolio or vice versa. However, this may happen within the portfolios that continue to be measured on the same basis as expected credit losses for a 12-month period or a lifetime, but the amount of the expected credit loss changes due to the varying credit risk of portfolios.

B. Key Sources of Estimation Uncertainty:

The following are key estimations that the directors have used in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in financial statements:

Determining the number and relative weight of scenarios, the outlook for each type of product / market, and the identification of future information relevant to each scenario:

When measuring the expected credit loss, the Group uses reasonable and supported future information based on the assumptions of the future movement of the various economic drivers and the manner in which they affect each other.

Probability of default:

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss Given Default:

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

5. CASH AND DEPOSITS WITH CENTRAL BANKS

	December 31, 2020	December 31, 2019
	LBP'000	LBP'000
Cash on hand	53,010,361	28,072,506
Current accounts with central bank of Lebanon	143,966,131	148,529,159
Current accounts with other central banks	56,824,240	19,851,837
Term placements with central bank of Lebanon	2,924,112,924	3,330,427,366
Term placements with central bank of Lebanon under leverage arrangements (Note 13)	1,489,890,312	1,521,548,312
Accrued interest receivable	119,109,742	106,035,308
	4,786,913,710	5,154,464,488
Unamortized discounts	(21,220,617)	(64,729,188)
Allowance for expected credit losses – Credit impaired	(3,781,238)	(3,781,238)
Allowance for expected credit losses (Note 43)	(367,574,310)	(204,295,309)
	4,394,337,545	4,881,658,753

Current accounts with central banks include compulsory deposits in Lebanese Pounds with central bank of Lebanon not available for use in the Group's day-to-day operations in the amount of LBP97billion (LBP93billion in 2019). These compulsory reserves are computed on the basis of 25% and 15% of the average weekly sight and term customers' deposits in Lebanese Pounds in accordance with prevailing banking regulations.
Term placements with central banks include the equivalent in foreign currencies of LBP712billion (LBP851billion in 2019) deposited with central bank of Lebanon in accordance with the prevailing banking regulations which require banks to maintain interest earning placements in foreign currency to the extent of 15% of customers' deposits in foreign currencies, in accordance with the prevailing central bank of Lebanon regulations.

During 2019, the Group and the central bank of Lebanon signed a netting agreement for specified financial assets and liabilities that qualifies for netting under the requirements of IAS 32. Accordingly, as at December 31, 2020, term placements with the central Bank of Lebanon and term borrowings from the central bank of Lebanon (Note 13) amounting to LBP2,752billion (2019: LBP2,784billion) are reported on a net basis on the statement of financial position by virtue of the general netting agreement.

Unamortized discounts amounting to LBP21.2billion (LBP65billion as of December 31, 2019) represents the surplus of specific swap deals on debt securities, whereby, discounts were deferred as yield enhancement on a time proportionate basis, over the period of the extended maturities. During the year 2020, discounts of LBP37.4billion related to placements redeemed before maturity, were reversed and recognized as interest income in the statement of profit or loss and other comprehensive income.

The movement of allowance for expected credit losses – credit impaired on current accounts with the central bank of Iraq - Kurdistan is summarized as follows:

	2020 LBP'000	2019 LBP'000
Balance, January 1	3,781,238	4,801,238
Transfer to provision of risk and charges (Note 23)	-	(1,020,000)
Balance, December 31	3,781,238	3,781,238

Term placements with the central bank of Lebanon have the following contractual maturities:

	December 31, 2020			
	LBP Base Accounts		F/Cy Base Accounts	
Maturity (Year)	Amount	Average Interest Rate	Counter Value of Amount in LBP	Average Interest Rate
2021	80,000,000	9.52	899,293,095	8.33
2022	-	-	648,225,000	6.54
2023	-	-	587,546,618	3.49
2024	-	-	220,840,460	0.66
2025	-	-	60,300,000	6.75
2027	248,000,000	10.50	186,138,563	6.67
2028	-	-	271,350,000	7.17
2029	108,619,000	10.50	339,187,500	9.57
2034	32,050,000	10.92	-	-
2039	80,328,000	11.00	-	-
2047	589,652,000	12.80	-	-
2049	62,473,000	13.68	-	-
	1,201,122,000		3,212,881,236	

	December 31, 2019			
	LBP Base Accounts		F/Cy Base Accounts	
Maturity (Year)	Amount	Average Interest Rate	Counter Value of Amount in LBP	Average Interest Rate
2020	-	-	619,573,175	4.47
2021	600,000,000	8.60	581,605,480	11.79
2022	15,000,000	8.60	648,225,000	7.58
2023	-	-	191,955,790	4.20
2024	-	-	203,899,670	3.57
2025	-	-	37,687,500	7.00
2027	248,000,000	10.50	186,138,563	6.90
2028	10,598,000	10.50	271,350,000	7.10
2029	215,559,000	10.81	339,187,500	9.23
2034	31,071,000	10.92	-	-
2047	589,652,000	11.93	-	-
2049	62,473,000	13.68	-	-
	1,772,353,000		3,079,622,678	

6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

	December 31,	
	2020	2019
	LBP'000	LBP'000
Checks for collection	13,888,484	17,261,159
Current accounts with banks and financial institutions	59,328,891	214,920,477
Term placements with banks and financial institutions	22,612,500	52,762,500
Accrued interest receivable	13,988	17,589
	95,843,863	284,961,725
Allowance for expected credit losses (Note 43)	(59,562)	(66,389)
	95,784,301	284,895,336

Term placements with banks and financial institutions have contractual maturities less than one year.

Deposits with banks and financial institutions are segregated between resident and non-resident as follows:

	December 31,	
	2020	2019
	LBP'000	LBP'000
Resident	14,346,504	17,154,193
Non-resident	81,497,359	267,807,532
	95,843,863	284,961,725

7. LOANS TO BANKS

Loans to banks are reflected at amortized cost and consist of the following:

	December 31,	
	2020	2019
	LBP'000	LBP'000
Regular performing loans	18,500,000	28,900,000
Accrued interest receivable	174,531	239,989
Doubtful bank accounts	75,973	75,342
Less: Allowance for impairment	(75,973)	(75,342)
	18,674,531	29,139,989
Allowance for expected credit losses (Note 43)	(1,302,928)	(1,509,451)
	17,371,603	27,630,538

Loans to banks have the following contractual maturities:

	December 31,			
	2020		2019	
	LBP	Interest Rate	LBP	Interest Rate
	LBP'000	%	LBP'000	%
Up to 3 months	-	-	400,000	4.35
3 months to 1 year	9,000,000	3.10	10,000,000	3.31
1 to 3 years	8,000,000	3.43	13,000,000	3.19
3 to 5 years	1,500,000	4.30	5,500,000	3.72
	18,500,000		28,900,000	

8. LOANS AND ADVANCES TO CUSTOMERS

This caption consists of the following as at December 31:

	2020			2019		
	Gross Amount Net of Unrealized Interest	Expected Credit Losses	Carrying Amount	Gross Amount Net of Unrealized Interest	Impairment Allowance	Carrying Amount
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Performing loans - stages 1 and 2:						
Mortgage loans	155,245,147	(7,729,855)	147,515,292	176,542,970	(6,689,882)	169,853,088
Personal loans	19,745,282	(371,984)	19,373,298	33,444,867	(112,760)	33,332,107
Credit card	3,634,510	(84,789)	3,549,721	7,876,377	(75,238)	7,801,139
Overdrafts	4,827,631	(286,045)	4,541,586	12,096,147	(228,679)	11,867,468
Large enterprises	502,537,060	(39,691,910)	462,845,150	549,166,288	(34,498,647)	514,667,641
Small and medium enterprises	117,577,750	(21,341,433)	96,236,317	271,051,784	(24,432,171)	246,619,613
	803,567,380	(69,506,016)	734,061,364	1,050,178,433	(66,037,377)	984,141,056
Non-performing loans - stage 3:						
Substandard loans	42,638,763	(21,690,174)	20,948,589	38,144,449	(22,748,299)	15,396,150
Doubtful loans	42,139,891	(38,185,187)	3,954,704	38,575,578	(33,231,317)	5,344,261
	84,778,654	(59,875,361)	24,903,293	76,720,027	(55,979,616)	20,740,411
Accrued interest receivable	260,064	-	260,064	460,274	-	460,274
	888,606,098	(129,381,377)	759,224,721	1,127,358,734	(122,016,993)	1,005,341,741

Performing corporate loans to large enterprises, outstanding at year end 2020 and 2019, include an amount of LBP219billion related to a non-resident customer which is covered by LBP234billion cash collateral. Related interest income and expense amounted to LBP33.8billion and LBP27.9billion respectively in 2020 and 2019.

9. LOANS AND ADVANCES TO RELATED PARTIES

This caption includes loans and advances granted by the Group to its shareholders and its related companies in the amount of LBP7.7billion (LBP24billion in 2019) covered to the extent of LBP3.6billion by real estate guarantees (LBP3.6billion by real estate guarantees and LBP15billion by cash collateral as of December 31, 2019).

10. INVESTMENT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31,	
	2020	2019
	LBP'000	LBP'000
Quoted equity securities	5,436,783	5,987,939
Unquoted equity securities	2,189,801	2,951,873
Foreign Eurobonds	-	19,572,925
Lebanese government bonds (Eurobonds)	153,165,633	4,178,795
Certificates of deposit issued by central bank of Lebanon	182,929,665	73,975,090
Accrued interest receivable	4,687,609	2,171,333
	348,409,491	108,837,955

During the year 2020, the Group reclassified its portfolio of Lebanese Government bonds (Eurobonds) held at amortized cost to investment securities at fair value through profit or loss based on the Group's business model for managing those assets as a result of the credit deterioration of these debt securities (See Note 11).

Unquoted equity securities in the amount of LBP2.2billion as at December 31, 2020 (LBP2.9billion as at December 31, 2019) represents mainly the Group's share in startup/incubators established based on co-sharing agreements with the regulator providing the funding.

11. INVESTMENT SECURITIES AT AMORTIZED COST

	December 31,	
	2020	2019
	LBP'000	LBP'000
Debt securities classified at amortized cost	1,682,829,265	3,205,405,558
Accrued interest receivable	21,182,735	60,252,420
	1,704,012,000	3,265,657,978
Allowance for expected credit losses (Note 43)	(89,507,680)	(600,052,973)
	1,614,504,320	2,665,605,005

The movement of investment securities, exclusive of the related accrued interest, for the years 2020 and 2019 are summarized as follows:

	2020 LBP'000	2019 LBP'000
Balance January 1	3,205,405,558	4,264,334,138
Additions	-	686,451,000
Reclassified (to)/from fair value through profit or loss	(1,257,800,928)	41,421,577
Swaps, net	-	(108,553,693)
Sales	(529,825,978)	(2,166,990,892)
Matured	(9,000,000)	(8,520)
Transfer of deferred regulatory liability to expected credit losses	-	403,171,666
Amortized premium and discount	(35,497,842)	(95,083,051)
Change in unamortized premium and discount	309,548,455	180,663,333
Balance December 31	1,682,829,265	3,205,405,558

(i) Change in unamortized premium and discount are mostly related to reclassified/sold debt securities, which are reflected above at their nominal value.

Debt securities consist of the following:

	December 31, 2020						
	Nominal Amount LBP'000	Net Premium/ (Discounts) LBP'000	Amortized Cost LBP'000	Interest Receivable LBP'000	Deferred Contribution Designated to Expected Credit Losses LBP'000	Expected Credit Losses LBP'000	Net Carrying Amount LBP'000
Lebanese treasury bills	428,926,435	(17,597,299)	411,329,136	5,320,312	-	(1,529,199)	415,120,249
Bonds from Lebanese banks	3,015,000	-	3,015,000	-	-	-	3,015,000
Certificates of deposit issued by central bank of Lebanon in LBP	469,000,625	(24,292)	468,976,333	3,216,848	-	-	472,193,181
Certificates of deposits issued by central bank of Lebanon in U.S. Dollar	846,159,750	(46,650,954)	799,508,796	12,645,575	-	(87,978,481)	724,175,890
	1,747,101,810	(64,272,545)	1,682,829,265	21,182,735	-	(89,507,680)	1,614,504,320

	December 31, 2019						
	Nominal Amount LBP'000	Net Premium/ (Discounts) LBP'000	Amortized Cost LBP'000	Interest Receivable LBP'000	Deferred Contribution Designated to Expected Credit Losses LBP'000	Expected Credit Losses LBP'000	Net Carrying Amount LBP'000
Lebanese treasury bills	428,926,435	(30,467,426)	398,459,009	5,986,091	-	(11,178,447)	393,266,653
Lebanese Government bonds	1,295,626,905	(255,417,032)	1,040,209,873	32,720,196	(403,171,666)	(132,404,801)	537,353,602
Bonds from Lebanese banks	3,015,000	-	3,015,000				3,015,000
Certificates of deposit issued by central bank of Lebanon in LBP	970,000,000	1,051,849	971,051,849	7,797,232	-	-	978,849,081
Certificate for deposit issued by central bank of Lebanon in U.S. Dollar	846,159,750	(53,489,923)	792,669,827	13,748,901	-	(53,298,059)	753,120,669
	3,543,728,090	(338,322,532)	3,205,405,558	60,252,420	(403,171,666)	(196,881,307)	2,665,605,005

The Group's business model for debt securities was amended during 2020 as a result of the credit deterioration of the Lebanese sovereign debt securities caused by the prevailing Lebanese financial crisis as described in Note 1. As a result, the Group reclassified its portfolio of Lebanese Government bonds (Eurobonds) denominated in foreign currency with total nominal value of LBP1,149billion and net carrying value of LBP341billion, along with their related allowance for expected credit losses (ECL) including the deferred contribution designated to ECL which amounted to LBP403billion, from amortized cost to investment securities at fair value through profit or loss. The difference between the net carrying value of the reclassified debt securities and their fair value at reclassification date was a loss of LBP178billion recognized in the statement of profit or loss and other comprehensive income.

The Group's business model for debt securities was amended during 2019. As a result, the Bank transferred Government bonds with carrying value in the equivalent of LBP41billion from FVTPL to amortized cost portfolio.

During 2020 and 2019, the Group entered into several sales transactions of debt securities at amortized cost that resulted in losses of LBP35billion (Losses of LBP28billion in 2019) recognized in the statement of profit or loss and other comprehensive income. Losses on derecognition of financial assets at amortized cost resulted from the sale of the following debt securities:

	2020 LBP'000	2019 LBP'000
Lebanese Government bonds	(47,471,422)	(74,569,160)
Certificates of deposit issued by BDL in LBP	12,032,665	46,092,645
	(35,438,757)	(28,476,515)

The sales transactions were entered into for the purpose of liquidity gap and yield management, exchange of financial assets with the central bank of Lebanon, deterioration of the credit rating, and currency risk management.

During 2019, the Group and the central bank of Lebanon signed a netting agreement for specified financial assets and liabilities that qualifies for netting under the requirements of IAS 32. Accordingly, Lebanese treasury bills and corresponding term borrowings from the central bank of Lebanon totaling LBP397billion (LBP397billion in 2019) are reported on a net basis on the statement of financial position by virtue of the general netting agreement (Note 13).

During 2019, the Group designated the full balance of the deferred regulatory liability of LBP403billion to allowance for expected credit losses on the Lebanese Government bonds in foreign currency (Eurobonds).

During 2019, the Group entered into a swap transaction of certificates of deposit issued by the central bank of Lebanon of nominal value of LBP206billion in conjunction with the acquisition of placement with central bank of Lebanon of LBP163billion, the premium resulting from the above transaction amounting to LBP24.8billion was deferred as yield enhancement on the new placements with central bank of Lebanon with maturity falling between 2027 and 2028.

During 2019, the Group entered into a swap transaction of certificates of deposit in U.S. Dollar and Lebanese Government bonds in U.S. Dollar of aggregate nominal value of USD4million and USD18million respectively to a foreign financial institution, and sale of Lebanese Government bonds in U.S. Dollar for the nominal value of USD41.4million to the central bank of Lebanon, concluded in conjunction with the acquisition of Lebanese Government bonds for the amount of USD128million. The premium resulting from the above transaction amounting to USD4.4million was deferred as yield enhancement on the new securities maturing in 2031 and yielding 11.11% per annum.

12. CUSTOMERS' LIABILITY UNDER ACCEPTANCES

Acceptances represent documentary credits which the Group has committed to settle on behalf of its customers against commitments by those customers (acceptances), net of their related expected credit loss allowance amounting to LBP Nil as at December 31, 2020 (LBP1.14billion as at December 31, 2019). The commitments resulting from these acceptances are stated as a liability in the balance sheet for the same amount.

13. ASSETS UNDER LEVERAGE ARRANGEMENT WITH THE CENTRAL BANK OF LEBANON

	December 31,	
	2020	2019
	LBP'000	LBP'000
Term placements with central bank of Lebanon	2,783,568,620	2,783,568,620
Lebanese treasury bills at amortized cost	396,587,195	396,587,195
	3,180,155,815	3,180,155,815
Borrowings from central bank of Lebanon	(3,180,155,815)	(3,180,155,815)
	-	-

Assets under leverage arrangement consist of term placements with the central bank of Lebanon and Lebanese Treasury bills in LBP subject to interest rate between 6.74% and 10.5% originated from and are pledged against the corresponding leverage arrangements with the central bank of Lebanon for the same amounts in LBP subject to 2% interest, with the purpose of providing yield adjustment on certain transactions related to either fresh deposits in foreign currency at the central bank of Lebanon or purchased Lebanese Government bonds in foreign currency. The leverage and related pledged assets mechanism resulted in a yield enhancement on the following financial assets:

	December 31,	
	2020	2019
	LBP'000	LBP'000
Term placements with central bank of Lebanon in U.S. Dollar	1,489,890,312	1,521,548,312
Lebanese Government bonds	967,471,246	967,471,246
	2,457,361,558	2,489,019,558

During 2019, the Group signed with central bank of Lebanon a netting agreement allowing to offset the "assets under leverage arrangement" versus the borrowing from the central bank. This agreement qualifies for netting under the requirements of IAS 32.

14. ASSETS ACQUIRED IN SATISFACTION OF LOANS

Assets acquired in satisfaction of loans have been acquired through enforcement of security over loans and advances.

The movement of assets acquired in satisfaction of loans during 2020 and 2019 was as follows:

	Real Estate LBP'000
Cost:	
Balance, January 1, 2019	25,552,700
Additions	25,769,386
Disposal	(317,359)
Balance, December 31, 2019	51,004,727
Additions	2,857,617
Disposals	(266,827)
Balance, December 31, 2020	53,595,517
Allowance for Impairment:	
Balance, January 1, 2020	(231,165)
Balance, December 31, 2020	(231,165)
Carrying Amount:	
December 31, 2020	53,364,352
December 31, 2019	50,773,562

The acquisition of assets in settlement of loans requires the approval of the banking regulatory authorities and these should be liquidated within 2 years. In case of default of liquidation within 2 years from the date of approval, the Group allocates a regulatory reserve for assets acquired in satisfaction of loans from retained earnings. During 2020, the Group allocated LBP6.72billion from retained earnings (LBP3.06billion during 2019).

The fair values of the assets acquired in satisfaction of loans exceed their carrying values as at December 31, 2020 and 2019.

15. PROPERTY AND EQUIPMENT

	Buildings LBP'000	Freehold Improvements LBP'000	Furniture and Equipment LBP'000	Computer Equipment LBP'000	Vehicles LBP'000	Advances on Capital Expenditure LBP'000	Total LBP'000
Cost / Revaluation:							
Balance, January 1, 2019	43,593,505	26,467,603	6,884,713	6,702,600	774,758	13,436,511	97,859,690
Additions	404,212	2,155,981	439,127	277,108	-	3,222,956	6,499,384
Disposals	-	-	(71,762)	-	-	-	(71,762)
Transfers between categories	3,539,920	-	58,017	-	-	(3,597,937)	-
Write off	-	(59,310)	(2,759)	(98,072)	-	-	(160,141)
Effect of exchange rates	-	(4,153)	(2,998)	(3,682)	(1,646)	-	(12,479)
Balance, December 31, 2019	47,537,637	28,560,121	7,304,338	6,877,954	773,112	13,061,530	104,114,692
Additions	-	3,585,014	247,692	344,813	-	272,368	4,449,887
Disposals	-	(4,769)	(75,984)	(62,210)	-	-	(142,963)
Transfers between categories	5,628,882	64,328	37,272	99,505	-	(5,829,987)	-
Transfers to intangible assets	-	-	-	-	-	(200,454)	(200,454)
Write off	-	-	(9,945)	(9,133)	-	-	(19,078)
Effect of exchange rates	-	(740,429)	(86,446)	(113,816)	7,152	(6,517)	(940,056)
Balance, December 31, 2020	53,166,519	31,464,265	7,416,927	7,137,113	780,264	7,296,940	107,262,028
Accumulated Depreciation:							
Balance, January 1, 2019	2,508,000	23,175,253	4,914,062	5,375,613	696,603	-	36,669,531
Additions	354,400	1,834,465	507,623	485,198	72,596	-	3,254,282
Disposals	-	-	(71,762)	-	-	-	(71,762)
Write-off	-	(59,310)	(2,688)	(97,581)	-	-	(159,579)
Exchange difference	-	(3,916)	(2,775)	(2,265)	(1,644)	-	(10,600)
Balance, December 31, 2019	2,862,400	24,946,492	5,344,460	5,760,965	767,555	-	39,681,872
Additions	500,966	1,201,422	522,292	472,134	3,526	-	2,700,340
Disposals	-	(4,769)	(58,462)	(62,210)	-	-	(125,441)
Write-off	-	-	(10,431)	(7,749)	-	-	(18,180)
Exchange difference	-	(744,593)	(67,774)	(107,872)	7,148	-	(913,091)
Balance, December 31, 2020	3,363,366	25,398,552	5,730,085	6,055,268	778,229	-	41,325,500
Carrying Amount:							
Balance, December 31, 2020	49,803,153	6,065,713	1,686,842	1,081,845	2,035	7,296,940	65,936,528
Balance, December 31, 2019	44,675,237	3,613,629	1,959,878	1,116,989	5,557	13,061,530	64,432,820

Advances on capital expenditure represent mainly the renovation for several branches namely Jbeil, Jnah, Achrafieh, Sin el fil and Basra in Iraq which was mainly allocated in years 2019 and 2020 to buildings, furniture and equipment and freehold improvements, in addition to the advance payment on the purchase of a plot for the new branch in Mar Mikhael.

16. INTANGIBLE ASSETS

	Purchased Software LBP'000
Cost:	
Balance, January 1, 2019	5,129,399
Acquisitions	214,964
Translation adjustment	(7,243)
Balance, December 31, 2019	5,337,120
Acquisitions	84,328
Transfer from tangible assets (Note 15)	200,454
Translation adjustment	(54,941)
Balance, December 31, 2020	5,566,961
Amortization:	
Balance, January 1, 2019	4,378,183
Amortization for the year	277,894
Translation adjustment	(6,156)
Balance, December 31, 2019	4,649,921
Amortization for the year	259,623
Translation adjustment	(47,280)
Balance, December 31, 2020	4,862,264
Carrying Amounts:	
December 31, 2020	704,697
December 31, 2019	687,199

17. LEASES

The Group leases several assets including branches and offices. The lease terms range between 2 to 11 years: The movement of the right-of-use assets and lease liabilities is shown below:

	LBP'000
Right-of-Use Assets:	
Balance at January 1, 2019	4,944,525
Amortization expense	(1,030,099)
Balance at December 31, 2019	3,914,426
Amortization expense	(706,263)
Changes related to modification to lease terms	(1,285,097)
Balance at December 31, 2020	1,923,066
Lease Liabilities:	
Balance at January 1, 2019	4,944,525
Interest expense (Note 31)	323,346
Settlement	(1,718,529)
Balance at December 31, 2019	3,549,342
Interest expense (Note 31)	167,987
Changes related to modification to lease terms	(1,104,663)
Settlements	(708,631)
Balance at December 31, 2020	1,904,035

Changes related to modification in lease terms related to Iraq branches which will be closed in 2021.

18. OTHER ASSETS

	December 31,	
	2020	2019
	LBP'000	LBP'000
Accounts receivable - Credit cards	1,990,161	1,745,612
Prepaid expenses	2,041,271	1,030,760
Regulatory blocked fund	4,500,000	4,500,000
Receivable from central bank of Lebanon	3,600,132	-
Tax receivable (Note 22)	3,434,652	-
Sundry accounts receivable	2,043,006	1,594,836
	17,609,222	8,871,208

Receivable from central bank of Lebanon as at December 31, 2020, represents the aggregate amount due to the Group as a result of the conversion by customers of restricted foreign currency deposits into LBP at the platform rate of LBP3,900 in accordance with BDL Circular # 151 dated April 21, 2020.

19. DEPOSITS FROM BANKS AND FINANCIAL INSTITUTIONS

Deposits from banks and financial institutions are reflected at amortized cost and consist of the following:

	December 31,	
	2020	2019
	LBP'000	LBP'000
Current deposits from banks and financial institutions	3,878,886	13,133,915
Short term borrowings	40,861,395	110,181,944
Accrued interest payable	50,546	494,121
	44,790,827	123,809,980

Short term borrowings mature within one year.

Deposits from banks and financial institutions are segregated between resident and non-resident as follows:

	December 31,	
	2020	2019
	LBP'000	LBP'000
Resident	15,754,262	84,660,989
Non-resident	29,036,565	39,148,991
	44,790,827	123,809,980

20. DEPOSITS FROM CUSTOMERS AND RELATED PARTIES

20.1 Deposits from customers:

	December 31,	
	2020	2019
	LBP'000	LBP'000
Deposits:		
Current/demand deposits	1,109,264,490	887,900,310
Term deposits	4,707,692,185	6,365,022,130
Fiduciary deposits	2,311,396	21,840,146
Escrow accounts	14,920,960	-
Collateral against speculation accounts	43,021	9,136,249
Cash collateral	281,307,990	316,660,225
Margins and other accounts:		
Margins for irrevocable import letters of credit	-	385,732
Margins on letters of guarantee	5,796,082	9,294,838
Accrued interest payable	24,572,400	62,706,918
	6,145,908,524	7,672,946,548

20.2 Deposits from related parties:

Related parties accounts at amortized cost are detailed as follows:

	December 31, 2020 LBP'000	December 31, 2019 LBP'000
Deposits:		
Demand deposits	16,127,085	5,875,188
Term deposits	132,046,247	204,552,486
Collateral against speculation account	9,421,297	9,053,338
Cash collateral	61	15,034,088
Margins against letters of credit	-	1,434
Accrued interest payable	217,885	848,722
	157,812,575	235,365,256

Deposits from customers are allocated by brackets of deposits excluding accrued interest payable as follows:

	December 31, 2020					
	LBP			Counter Value of F/Cy		
Bracket	Total Deposits LBP'000	Percentage to Total Deposits %	Percentage to Total No. of Accounts %	Total Deposits LBP'000	Percentage to Total Deposits %	Percentage to Total No. of Accounts %
Less than LBP50million	141,760,093	9	90	135,546,457	3	69
From LBP50million to LBP250million	280,383,503	17	7.2	675,235,860	15	20
From LBP250million to LBP750million	222,760,955	14	2.3	934,537,903	21	8
From LBP750million to LBP1.5billion	90,176,321	6	0.3	538,594,241	12	2
More than LBP1.5billion	869,084,680	54	0.2	2,233,256,111	49	1
	1,604,165,552	100	100	4,517,170,572	100	100

	December 31, 2019					
	LBP			Counter Value of F/Cy		
Bracket	Total Deposits LBP'000	Percentage to Total Deposits %	Percentage to Total No. of Accounts %	Total Deposits LBP'000	Percentage to Total Deposits %	Percentage to Total No. of Accounts %
Less than LBP50million	146,566,507	7	85	129,420,363	2	76
From LBP50million to LBP250million	393,271,624	18	10	520,121,505	10	14
From LBP250million to LBP750million	396,834,508	18	3	811,460,698	15	6
From LBP750million to LBP1.5billion	228,052,590	11	1	591,935,185	11	2
More than LBP1.5billion	999,837,023	46	1	3,392,739,627	62	2
	2,164,562,252	100	100	5,445,677,378	100	100

Deposits from customers at amortized cost include coded deposit accounts in the aggregate amount of LBP76billion (LBP89billion in 2019). These accounts are subject to the provisions of Article 3 of the Banking Secrecy Law dated September 3, 1956 which provides that the Bank's management, in the normal course of business, cannot reveal the identities of these depositors to third parties, including its independent public accountants.

Fiduciary deposits amounting to LBP2.3billion were fully received from resident banks in 2020 (LBP21billion from resident banks in 2019).

The average balance of customers' deposits (including related party deposits) and related cost of funds over the last three years were as follows:

Year	Average Balance of Deposits LBP Base Accounts	Average Balance of Deposits F/Cy Base Accounts	Cost of Funds	Average Interest Rate
	LBP'000	LBP'000	LBP'000	%
2020	1,435,949,149	5,301,623,603	318,063,734	4.72
2019	3,146,492,239	5,236,045,416	725,864,237	8.66
2018	3,684,051,229	4,921,989,176	582,274,870	6.77

21. BORROWINGS FROM CENTRAL BANK OF LEBANON

This caption represents facilities granted by central bank of Lebanon which are made in connection with central bank of Lebanon intermediate Circular 313 relating to basic Decision No. 6116 of March 7, 1996 and its amendments by which the Group benefited from credit facilities granted against loans the Bank has granted responsibility, to its customers, pursuant to certain conditions, rules and mechanism.

22. OTHER LIABILITIES

This caption consists of the following:

	December 31, 2020	December 31, 2019
	LBP'000	LBP'000
Withheld taxes and property taxes	5,983,875	8,785,064
Income tax payable (a)	35,492,385	35,333,113
Lumpsum tax on turnover (b)	24,942,156	-
Due to the National Social Security Fund	286,244	302,335
Checks and incoming payment orders in course of settlement	21,170,435	27,974,704
Blocked capital subscriptions for companies under incorporation	773,828	836,265
Accrued expenses	6,416,219	3,367,270
Payable to the National Institute for the Guarantee of Deposits	3,555,500	4,100,000
Dividends payable	203,049	174,557
Payable to personnel and directors	913,974	887,972
Unearned revenues	1,089,468	977,319
Fair value of forward exchange contracts	484,970	-
Sundry accounts payable	2,463,729	3,897,384
	103,775,832	86,635,983

(a) The following table explains the relationship between taxable income and accounting income:

	2020 LBP'000	2019 LBP'000
Loss before income tax	(99,005,274)	(136,411,282)
Non-deductible expense	323,600,712	355,530,373
Non-taxable income	(611,188,947)	(9,460,551)
Taxable income	(386,593,509)	209,658,540
Income tax expense	481,590	35,443,945
Less: Tax paid on resident subsidiaries	(207,891)	(110,832)
Previous year taxes not paid	35,218,686	-
Income tax payable	35,492,385	35,333,113

The Group's tax returns for the years 2018 till 2020 are still subject to review by the tax authorities and any additional tax liability depends on the outcome of such review.

During 2019, the Group was subject to tax examination for the fiscal years 2013 to 2017 inclusive which resulted in additional taxes and penalties in the amount of LBP3.2billion that was paid during 2020 and recorded as receivables from tax authorities (Note 18). The Group objected the tax results in front of the tax authorities. The result of this objection is not yet known.

(b) Based on decision No. 245, published on November 12, 2020 in the official gazette and article 20 of the budget law No. 6, a 2% lump sum tax on banks, financial institutions and brokerage firms turnover for the year 2019 is imposed with an effective date in year 2020. The newly withheld tax amounted to LBP25billion as at December 31, 2020. An amount of LBP23billion was paid subsequent to the financial position date.

23. PROVISIONS

Provisions consist of the following:

	December 31,	
	2020 LBP'000	2019 LBP'000
Provision for staff end-of-service indemnity	12,097,394	14,004,921
Provision for risks and charges	36,023,691	26,444,062
Provision for expected credit losses on off-balance sheet commitments (Note 43)	10,452,330	10,544,436
Provision for loss in foreign currency position (i)	30,787,801	6,757,000
	89,361,216	57,750,419

(i) Provision for loss on foreign currencies position is set in accordance with local banking regulations.

The movement of provision for staff end-of-service indemnity is as follows:

	2020 LBP'000	2019 LBP'000
Balance, January 1	14,004,921	15,225,653
Additions (Note 36)	902,021	100,520
Settlements	(2,809,548)	(1,321,252)
Balance, December 31	12,097,394	14,004,921

The movement of provision for risks and charges is as follows:

	2020 LBP'000	2019 LBP'000
Balance, January 1	26,444,062	24,595,030
Additions	9,690,174	829,125
Transfer from allowance for impairment on term placements (Note 5)	-	1,020,000
Other movement	(104,910)	-
Effect of exchange rates changes	(5,635)	(93)
Balance, December 31	36,023,691	26,444,062

24. SUBORDINATED BONDS

	December 31,	
	2020 LBP'000	2019 LBP'000
Subordinated bonds	60,300,000	60,300,000
Accrued interest payable	4,899,375	376,875
	65,199,375	60,676,875

The Extraordinary General Assembly of shareholders held on August 24, 2015, authorize the issuance of non-convertible, non-callable, cumulative subordinated bonds in the amount of USD40million comprising 400,000 bonds issued in denominations of USD100 each. These bonds were issued on December 10, 2015 and mature on December 10, 2025 and are subject to an annual interest rate of 7.5% per annum subject to certain terms and conditions.

In accordance with banking laws and regulations, subordinated bonds are considered as Tier II capital for the purpose of computation of Risk Based Capital Ratio to be decreased by 20% in a yearly basis.

In this connection, interest expense on subordinated bonds for the year ended December 31, 2020 amounted to LBP4.5billion that was accrued for during 2020 and recorded under "Interest expense" in the consolidated statement of profit or loss (LBP4.5million in 2019) (Note 31).

25. CAPITAL

As at December 31, 2020 and 2019, Group's share capital consisted of 20,000,000 ordinary shares and 750,000 preferred shares for a par value of LBP7,500 each and fully paid.

The Bank hedged part of its capital against fluctuations in the Lebanese currency through a fixed currency position of USD6,300,000.

26. NON-CUMULATIVE CONVERTIBLE PREFERRED SHARES

Non-cumulative convertible preferred shares amounted to LBP113billion at December 31, 2020 and 2019 representing 750,000 non-cumulative preferred shares LBP7,500 each, in addition to a premium of USD95 each.

Subject to certain terms and conditions, distribution to holders of series 3 preferred shares shall be paid annually a fixed amount of USD7.5 representing a dividend yield of 7.5 percent per series 3 preferred share.

27. RESERVES

Reserves consist of the following:

	December 31,	
	2020	2019
	LBP'000	LBP'000
Legal reserve (a)	94,260,547	94,342,436
Non-distributable reserve (b)	80,657,802	80,657,802
General reserve	5,763,000	5,763,000
	180,681,349	180,763,238

(a) The legal reserve is constituted in conformity with the requirements of the Lebanese Code of Money and Credit on the basis of 10% of net profit. This reserve is not available for distribution.

(b) In compliance with article 16 of the basic circular no. 143 issued by the central bank of Lebanon, the bank transferred the reserve for general banking risk and the general reserve for performing loans to a non-distributable reserve accounts.

28. DIVIDENDS PAID

The following dividends were declared and paid by the Bank:

	2020 LBP'000	2019 LBP'000
Ordinary shares	-	96,480,000
Preferred shares	-	8,479,692
	-	104,959,692

29. NON-CONTROLLING INTERESTS

	December 31, 2020 LBP'000	December 31, 2019 LBP'000
Capital	600,300	600,300
Retained earnings	1,499,207	1,516,532
Reserves	213,881	213,881
Profit/(loss) for the year	41,672	(17,325)
	2,355,060	2,313,388

30. INTEREST INCOME

This caption consists of the following:

	2020 Interest Income LBP'000	2020 Withheld Tax LBP'000	2020 Net Interest Income LBP'000
Interest income on:			
Deposits with central bank of Lebanon	670,494,585	(66,500,604)	603,993,981
Deposits with banks and financial institutions	7,721,489	(6,533)	7,714,956
Investment securities at amortized cost	184,286,623	(18,205,406)	166,081,217
Loans to banks and financial institutions	798,157	(85,852)	712,305
Loans and advances to customers	83,183,496	-	83,183,496
Loans and advances to related parties	593,952	-	593,952
	947,078,302	(84,798,395)	862,279,907

	2019 Interest Income LBP'000	2019 Withheld Tax LBP'000	2019 Net Interest Income LBP'000
Interest income on:			
Deposits with central bank of Lebanon	427,319,691	(44,780,543)	382,539,148
Deposits with banks and financial institutions	13,952,015	-	13,952,015
Investment securities at amortized cost	487,126,621	(24,275,998)	462,850,623
Loans to banks and financial institutions	1,144,869	(92,097)	1,052,772
Loans and advances to customers	111,826,457	-	111,826,457
Loans and advances to related parties	2,925,812	-	2,925,812
	1,044,295,465	(69,148,638)	975,146,827

31. INTEREST EXPENSE

	2020 LBP'000	2019 LBP'000
Interest expense on:		
Deposits and borrowings from banks and financial institutions	10,862,467	16,070,860
Customers' accounts at amortized cost	346,764,970	700,782,359
Related parties' accounts at amortized cost	8,903,442	25,081,878
Subordinated bonds (Note 24)	4,522,500	4,522,500
Lease liabilities (Note 17)	167,987	323,346
Borrowings from central bank	2,070,892	2,265,078
	373,292,258	749,046,021

32. FEE AND COMMISSION INCOME

	2020 LBP'000	2019 LBP'000
Commission on documentary credits	70,604	708,707
Commission on letters of guarantee	1,420,984	1,897,179
Service fees on customers' transactions	8,143,729	6,336,727
Asset management fees	24,625	95,046
Commission earned on insurance policies	179,954	229,281
Other	161,560	653,578
	10,001,456	9,920,518

33. FEE AND COMMISSION EXPENSE

	2020 LBP'000	2019 LBP'000
Commission on transactions with banks	1,236,287	2,079,415
Other	385,969	529,498
	1,622,256	2,608,913

34. OTHER OPERATING (EXPENSES)/INCOME

	2020 LBP'000	2019 LBP'000
Net foreign exchange loss	(10,238,107)	(1,233,980)
Loss on multiplier transactions	(7,230,802)	-
Other	1,224,416	1,570,416
	(16,244,493)	336,436

In order to build up offshore liquidity, the Group introduced the "multiplier factor" which entails inciting depositors of foreign currency international liquidity, cash deposited or incoming border transfers to convert these funds into local foreign currency deposits after the application of multiplier factor during 2020. Book losses from these transactions amounted to LBP 7.2 billion during 2020.

35. NET INTEREST AND OTHER GAIN / (LOSS) ON INVESTMENT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 LBP'000	2019 LBP'000
Interest income	33,988,489	36,823,189
Net unrealized loss	(11,008,140)	(291,684)
Net realized (loss)/gain	(28,576,964)	32,087,046
Dividend income	390,779	432,622
Withheld tax on interest	(1,434,938)	(806,712)
	(6,640,774)	68,244,461

36. STAFF COSTS

	2020 LBP'000	2019 LBP'000
Salaries and related charges	25,854,162	27,811,330
Executive management remunerations	9,265,678	13,518,763
Social security contributions	3,026,672	3,089,591
Provision for end-of-service indemnities (Note 23)	902,021	100,520
	39,048,533	44,520,204

37. GENERAL AND ADMINISTRATIVE EXPENSES

	2020 LBP'000	2019 LBP'000
Professional fees	4,870,323	3,528,362
Rent	447,886	290,823
Advertising	1,790,706	5,968,293
Post and telephone	1,083,527	1,224,762
Repairs and maintenance	2,475,688	1,702,949
Travel	256,571	522,420
Printing and stationery	831,787	771,159
Water and electricity	877,056	614,825
Insurance	463,512	453,470
Gifts and donations	223,101	159,441
Subscription fees	850,120	839,471
Municipality and other accrued taxes and penalties	2,316,314	2,509,185
Training and seminars	51,121	184,990
Cleaning	678,767	382,887
Licenses	81,171	82,628
Credit card expenses	335,787	872,509
Transportation	795,241	432,408
Miscellaneous expenses	4,436,737	1,799,284
	22,865,415	22,339,866

38. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The guarantees and standby letters of credit and the documentary and commercial letters of credit represent financial instruments with contractual amounts representing credit risk. The guarantees and standby letters of credit represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties and are not different from loans and advances on the statement of financial position. However, documentary and commercial letters of credit, which represent written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments documents of goods to which they relate and, therefore, have significantly less risks.

39. RELATED PARTIES

In the ordinary course of its activities, the Group conducts transactions with related parties including shareholders, directors, and other key management. Balances with related parties consist of the following:

	December 31,	
	2020	2019
	LBP'000	LBP'000
Direct facilities and credit balances:		
Loans and advances (net of expected credit losses)	9,475,376	24,164,069
Deposits (Note 20)	157,812,575	235,365,256
Indirect facilities:		
Letters of guarantee	46,105	212,539

Loans and advances to related parties covered by real estate mortgage and cash collateral to the extent of LBP3.6billion (real estate mortgage of LBP3.6billion and cash collateral of LBP15billion for 2019).

The executive management remunerations amounted to LBP9.3billion during 2020 (LBP13.5billion in 2019).

Professional fees rendered to two Board members amounted to LBP177million (LBP177million in 2019) (Note 37).

In addition, professional fees includes LBP665million paid to related parties (LBP643million in 2019) (Note 37).

40. CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purpose of the cash flows statement consist of the following:

	December 31,	
	2020	2019
	LBP'000	LBP'000
Cash on hand	53,010,361	28,072,506
Current accounts with central banks (excluding compulsory reserves)	97,368,351	72,016,203
Term placements with central bank of Lebanon	616,567,500	219,339,690
Checks for collection	13,888,484	17,261,159
Current accounts with banks and financial institutions	59,328,891	214,920,477
Term placements with banks and financial institutions	22,612,500	52,762,500
	862,776,087	604,372,535

Term deposits with the central bank of Lebanon and banks and financial institutions represent inter-bank placements and borrowings with an original term of 90 days or less.

The following non-cash items were excluded from the statement of cash flows:

- LBP518billion representing the decrease in investment securities at amortized cost for the year ended December 31, 2020 against the increase in investment securities at fair value through profit or loss for the same amount.
- LBP1billion representing the increase in provision for risk and charges for the year ended December 31, 2019 against the decrease in allowance for impairment on term placements for the same amount.
- LBP41billion representing the decrease in investment securities at fair value through profit or loss for the year ended December 31, 2019 against the increase in investment securities at amortized cost for the same amount.
- LBP2.8billion representing the increase in assets acquired in satisfaction of loans for the year ended December 31, 2020 against decrease in loans and advances to customers for the same amount (LBP26billion in 2019).

41. CAPITAL MANAGEMENT

The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) as adopted by the central bank of Lebanon, which is the lead supervisor of the Group.

The following are the applicable regulatory capital ratios:

	Common Tier 1 Capital Ratio	Tier 1 Capital Ratio	Total Capital Ratio
As at December 31, 2020			
Minimum required capital ratios	4.50%	6.00%	8.00%
With the full capital conservation buffer of 2.5%	7.00%	8.50%	10.50%
As at December 31, 2019			
Minimum required capital ratios	4.50%	6.00%	8.00%
With the full capital conservation buffer of 2.5%	7.00%	8.50%	10.50%

The central bank of Lebanon issued intermediary circular No.567 dated August 26, 2020 introducing several changes in the calculation of the regulatory capital adequacy ratios. These key changes are discussed below:

Key regulatory changes:	
Increasing the regulatory ECL on Lebanese government bonds in foreign currency from 9.45% to 45% and allowing the constitution of the regulatory ECL progressively over a period of five years starting from 2020, noting that the BDL Central Council may accept to extend the term to ten years for banks that manage to complete the 20% cash contribution to capital before December 31, 2020. Regulatory ECL for other exposures remain unchanged, i.e. exposures in foreign currency with BDL 1.89%; exposures in Lebanese Pounds with BDL and Lebanese treasury bills in Lebanese Pounds 0%.	The Group reclassified its entire portfolio of Lebanese Eurobonds from amortized cost to FVTPL during 2020. The Group applied 0% ECL on exposures to Lebanese sovereign and Central Bank in Lebanese Pounds and ECL levels exceeding the regulatory requirements for exposures to Lebanese sovereign and Central Bank in foreign currency.
By February 28, 2021 (extended), banks should complete a 20% increase of the common equity tier I capital as at December 31, 2018 through issuing new foreign currency capital instruments as well as other approaches that meet the criteria for inclusion as regulatory capital. The BDL Central Council may consider for banks to complete 50% of this capital increase through transfer of real estate by the shareholders, provided these a liquidated within 5 years	The Bank's Extraordinary General Assembly of shareholders held on December 30, 2020 called for the issuance of non-convertible subordinated bonds in the amount of USD100million that were issued and paid in the subsequent period after obtaining the final approval of the central bank of Lebanon on March 18, 2021.
Banks can include the revaluation surplus of real estate properties in Common Equity Tier I capital instead of 50% in Tier II, subject to BDL approval on the revaluation. The deadline set by the regulator for the revaluation of real estate is December 31, 2021.	During October 2021, the Group sent a request for revaluation to BDL. No response from BDL has been received yet.
If the capital conservation buffer on common equity falls below 2.5% of risk weighted assets during 2020 and 2021, banks should rebuild the gap by end of 2024, by a minimum of 0.75% per year, starting 2022 according to an approved plan by the Banking Control Commission of Lebanon.	The Group used its capital conservation buffer as at December 31, 2020.
Banks should refrain from dividend distribution, should capital adequacy ratios fall below 7% for common equity Tier I ratio; 10% for tier I ratio; and 12% for total capital ratio. Also, banks are prohibited from distributing dividends on common shares for the years 2019 and 2020.	No dividends were distributed during the years 2020 and 2019.
As exceptional measures, 100% of ECL on Stage 1 and Stage 2 exposures (except those against sovereign and BDL exposures in local and foreign currency), may be added to common equity Tier I capital. These will be gradually amortized to 75% in 2022, 50% in 2023 and 25% in 2024	As of December 31, 2020, Tier 1 common equity increased by LBP82.5billion, compared to December 31, 2019.

The Group's consolidated capital adequacy ratio was as follows:

	December 31,	
	2020	2019
	LBP'Million	LBP'Million
Common equity Tier 1	552,593	536,420
Additional Tier I capital	113,044	113,047
	665,637	649,467
Tier II capital	60,455	155,767
Total regulatory capital	726,092	805,234
Credit risk	6,105,768	7,547,467
Market risk	1,043,270	216,834
Operational risk	731,066	668,797
Risk-weighted assets and risk-weighted off-balance sheet items	7,880,104	8,433,098
Equity Tier I ratio	7.01%	6.36%
Tier I capital ratio	8.45%	7.70%
Risk based capital ratio-Tier I and Tier II capital	9.22%	9.55%

The Group's capital adequacy ratio as at December 31, 2020 and 2019, similarly to other applicable regulatory ratios, was calculated based on the disclosed figures, and did not take into consideration the adjustments that will result from the uncertainties discussed under Note 1.3 once these uncertainties become reasonably quantifiable. Due to the high levels of these uncertainties, management is unable to estimate in a reasonable manner, the impact of these matters on the Bank's capital adequacy and the recapitalization needs that may arise once the necessary adjustments are determined and recorded.

Banks are required to submit a comprehensive plan, reflecting the banks' strategies to comply with the regulatory minimum capital requirements, including the timeline to achieve compliance. The plan should incorporate allowances required by the Banking Control Commission of Lebanon against different risks banks are exposed to.

42. SEGMENT INFORMATION

The following is the financial position and the financial performance by Group entity allocated by geographical location:

Financial Position

	December 31, 2020			
	Lebanon Operations LBP'000	Cyprus LBP'000	Iraq LBP'000	Total LBP'000
ASSETS				
Cash and deposits with central banks	4,337,088,000	54,353,397	2,896,148	4,394,337,545
Deposits with banks and financial institutions	95,730,174	47,365	6,762	95,784,301
Loans to banks and financial institutions	17,371,603	-	-	17,371,603
Loans and advances to customers	752,212,011	2,477	7,010,233	759,224,721
Loans and advances to related parties	7,734,896	-	-	7,734,896
Investment securities at fair value through profit or loss	348,409,491	-	-	348,409,491
Investment securities at amortized cost	1,614,504,320	-	-	1,614,504,320
Assets acquired in satisfaction of loans	53,364,352	-	-	53,364,352
Property and equipment	65,748,652	93,473	94,403	65,936,528
Intangible assets	627,345	54,111	23,241	704,697
Right of use of assets	1,856,177	66,889	-	1,923,066
Other assets	16,497,157	88,309	1,023,756	17,609,222
Total Assets	7,311,144,178	54,706,021	11,054,543	7,376,904,742
LIABILITIES				
Deposits from banks and financial institutions	44,790,827	-	-	44,790,827
Deposits from customers	6,097,144,791	45,533,932	3,229,801	6,145,908,524
Deposits from related parties	156,934,103	876,837	1,635	157,812,575
Lease liability	1,829,616	74,419	-	1,904,035
Borrowings from the central bank of Lebanon	188,006,070	-	-	188,006,070
Other liabilities	99,506,009	400,218	3,869,605	103,775,832
Provisions	88,686,566	-	674,650	89,361,216
Subordinated bonds	65,199,375	-	-	65,199,375
Total Liabilities	6,742,097,357	46,885,406	7,775,691	6,796,758,454

Financial Position

	December 31, 2019			
	Lebanon Operations LBP'000	Cyprus LBP'000	Iraq LBP'000	Total LBP'000
ASSETS				
Cash and deposits with central banks	4,854,782,260	5,363,173	21,513,320	4,881,658,753
Deposits with banks and financial institutions	284,887,154	5,707	2,475	284,895,336
Loans to banks and financial institutions	27,630,538	-	-	27,630,538
Loans and advances to customers	995,501,024	4,168	9,836,549	1,005,341,741
Loans and advances to related parties	24,163,579	490	-	24,164,069
Investment securities at fair value through profit or loss	108,837,955	-	-	108,837,955
Investment securities at amortized cost	2,665,605,005	-	-	2,665,605,005
Customers' liability under acceptances	1,135,791	-	-	1,135,791
Assets acquired in satisfaction of loans	50,773,562	-	-	50,773,562
Property and equipment	64,156,546	96,351	179,923	64,432,820
Intangible assets	607,111	40,400	39,688	687,199
Right of use of assets	2,310,743	121,905	1,481,778	3,914,426
Other assets	7,680,914	34,897	1,155,397	8,871,208
Total Assets	9,088,072,182	5,667,091	34,209,130	9,127,948,403
LIABILITIES				
Deposits from banks and financial institutions	123,713,695	-	96,285	123,809,980
Deposits from customers	7,463,971,700	140,272,653	68,702,195	7,672,946,548
Deposits from related parties	234,922,145	441,138	1,973	235,365,256
Liability under acceptance	1,363,415	-	-	1,363,415
Lease liability	2,197,625	130,314	1,221,403	3,549,342
Borrowings from the central bank of Lebanon	205,153,349	-	-	205,153,349
Other liabilities	85,849,202	312,383	474,398	86,635,983
Provisions	57,405,657	-	344,762	57,750,419
Subordinated bonds	60,676,875	-	-	60,676,875
Total Liabilities	8,235,253,663	141,156,488	70,841,016	8,447,251,167

Statement of Profit or Loss and Other Comprehensive Income

	Year Ended December 31, 2020			
	Lebanon Operations LBP'000	Cyprus LBP'000	Iraq LBP'000	Total LBP'000
Interest income	946,022,842	239,349	816,111	947,078,302
Withholding tax on interest	(84,798,395)	-	-	(84,798,395)
	861,224,447	239,349	816,111	862,279,907
Interest expense	(369,279,219)	(4,101,000)	87,961	(373,292,258)
Net interest income	491,945,228	(3,861,651)	904,072	488,987,649
Fee and commission income	8,806,267	64,316	1,130,873	10,001,456
Fee and commission expense	(1,247,747)	(295,452)	(79,057)	(1,622,256)
Net fee and commission income	7,558,520	(231,136)	1,051,816	8,379,200
Other operating expense	(16,408,811)	44,364	119,954	(16,244,493)
Net loss on reclassification of financial assets from amortized cost to FVTPL	(184,247,763)	-	-	(184,247,763)
Loss on derecognition of investment securities amortized cost	(35,438,757)	-	-	(35,438,757)
Net interest and other loss on investment securities at fair value through profit or loss	(11,344,816)	4,704,042	-	(6,640,774)
Net financial revenues	252,063,601	655,619	2,075,842	254,795,062
Provision for expected credit losses	(253,009,142)	(92,863)	(49,406)	(253,151,411)
Write-off of loans and advances	(436,421)	-	-	(436,421)
Net financial revenues after provision for expected credit losses	(1,381,962)	562,756	2,026,436	1,207,230
Allowance for risk and charges (net)	(9,360,403)	-	(329,771)	(9,690,174)
Staff costs	(37,805,531)	(481,730)	(761,272)	(39,048,533)
Administrative expenses	(20,500,474)	(405,454)	(1,959,487)	(22,865,415)
Depreciation and amortization	(2,860,553)	(52,211)	(47,199)	(2,959,963)
Amortization of right of use	(639,374)	(66,889)	-	(706,263)
Tax on turnover	(24,942,156)	-	-	(24,942,156)
Loss before income tax	(97,490,453)	(443,528)	(1,071,293)	(99,005,274)
Income tax expense	(402,503)	(11,107)	(67,980)	(481,590)
Loss for the year	(97,892,956)	(454,635)	(1,139,273)	(99,486,864)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	(97,892,956)	(454,635)	(1,139,273)	(99,486,864)

	Year Ended December 31, 2019			
	Lebanon Operations LBP'000	Cyprus LBP'000	Iraq LBP'000	Total LBP'000
Interest income	1,041,520,668	840,334	1,934,463	1,044,295,465
Withholding tax on interest	(69,148,638)	-	-	(69,148,638)
	972,372,030	840,334	1,934,463	975,146,827
Interest expense	(743,285,403)	(5,446,445)	(314,173)	(749,046,021)
Net interest income	229,086,627	(4,606,111)	1,620,290	226,100,806
Fee and commission income	8,005,365	36,290	1,878,863	9,920,518
Fee and commission expense	(1,946,042)	(190,435)	(472,436)	(2,608,913)
Net fee and commission income	6,059,323	(154,145)	1,406,427	7,311,605
Other operating income	(28,252,119)	18,856	93,184	(28,140,079)
Net interest and other gain/(loss) on investment securities at fair value through profit or loss	61,509,122	6,735,339	-	68,244,461
Net financial revenues	268,402,953	1,993,939	3,119,901	273,516,793
Provision for expected credit losses	(337,267,062)	(69,642)	(14,082)	(337,350,786)
Write-off of loans and advances	(325,819)	-	-	(325,819)
Net financial loss after provision for expected credit losses	(69,189,928)	1,924,297	3,105,819	(64,159,812)
Allowance for risk and charges (net)	(829,125)	-	-	(829,125)
Staff costs	(43,243,572)	(483,969)	(792,663)	(44,520,204)
Administrative expenses	(20,451,139)	(411,652)	(1,477,075)	(22,339,866)
Depreciation and amortization	(3,044,479)	(38,524)	(449,173)	(3,532,176)
Amortization of right of use	(543,159)	(60,953)	(425,987)	(1,030,099)
Loss before income tax	(137,301,402)	929,199	(39,079)	(136,411,282)
Income tax expense	(35,338,165)	-	(105,780)	(35,443,945)
Loss for the year	(172,639,567)	929,199	(144,859)	(171,855,227)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	(172,639,567)	929,199	(144,859)	(171,855,227)

43. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
  - Interest rate risk
  - Foreign exchange risk

The Credit Committee, Assets and Liabilities Committee work under the mandate of the board to set up risk limits and manage the overall risk in the Group. Risk committee was established whose role is to supervise the proper implementation of risk management procedures at the Bank and all its branches aboard and subsidiaries, in compliance with the regulations issued or will be issued by the central bank of Lebanon and Banking Control Commission.

A. Credit Risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers and other banks (including related commitments to lend such as loan or credit card facilities), investments in Government debt securities and certificates of deposit issued by the central bank of Lebanon.

The Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

Credit risk management

The Group's credit committee is responsible for managing the Group's credit risk by:

- Ensuring that the Group has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Group's stated policies and procedures, IFRS and relevant supervisory guidance.
- Identifying, assessing and measuring credit risk across the Group, from an individual instrument to a portfolio level.
- Creating credit policies to protect the Group against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits.
- Limiting concentrations of exposure by type of asset, counterparties, industry, credit rating, geographic location etc.
- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities.
- Developing and maintaining the Group's risk grading to categories exposures according to the degree of risk of default. Risk grades are subject to regular reviews.
- Developing and maintaining the Group's processes for measuring ECL including monitoring of credit risk, incorporation of forward looking information and the method used to measure ECL.
- Ensuring that the Group has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk accounting assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL. Providing advice, guidance and 4specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

Netting arrangements

The Group sometimes further restricts its exposure to credit losses by entering into netting arrangements with counterparties. Netting arrangements reduce credit risk associated with favorable contracts to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis.

The Group makes use of master netting agreements and other arrangements not eligible for netting under *IAS 32 Financial Instruments: Presentation* with its counterparties. Such arrangements provide for single net settlement of all financial instruments covered by the agreements in the event of default on any one contract. Although, these master netting arrangements do not normally result in an offset of balance sheet assets and liabilities (as the conditions for offsetting under IAS 32 may not apply), they, nevertheless, reduce the Group's exposure to credit risk, as shown in the tables on the following pages. Although master netting arrangements may significantly reduce credit risk, it should be noted that the credit risk is eliminated only to the extent of amounts due to the same counterparty.

Significant increase in credit risk

The Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

In order to minimise credit risk, the Group has tasked its credit management committee to develop and maintain the Group's credit risk grading to categories exposures according to their degree of risk of default. The Group's credit risk grading framework comprises ten categories.

The S&P module is used by the Group to compute the probability of Default (PD) and the Loss Given Default (LGD) of corporate portfolio.

In order to calculate the PD, the S&P module will estimate the likelihood that a borrower will be unable to meet his debt obligations based on the following criteria:

- Country risk: the country in which the client operates along with the percentage of EBIDTA or sales turnover generated from each country (if the client operates in multiple regions).
- Industry: the industry nature and the percentage of EBITDA or sales turnover generated from each industry the client operates in (if the client operates in multiple sectors).
- Competitive advantage
- Diversification
- Operating efficiency
- Financial risk based on 1 year financials or on 3 or 5 year average financial figures. The main financial ratios to be considered are: FFO to Debt, Debt to EBITDA, EBITDA Interest coverage, Total Debt to Total Liabilities (Debt + Equity), FFO, Debt, EBIDTA, Total Equity, Revenues.

The resulting PD will be subject to a list of modifiers which are a list of questions to which the credit officer will answer and will grant the client a grade. These questions are related to the client's portfolio diversification, to his capital structure, to his financial and liquidity policy, to his risk management and financial management, to his organizational effectiveness and finally to his governance policy.

To get the final rating, the module adds the effect of sovereign currency rating as well as the sensitivity of the client to the country risk in addition to the impact of the any support whether coming from a guarantor, a government related entity or a holding company.

As for the LGD, the module allows to estimate a percentage representing the share of the Group's loss on a defaulting loan prior to its default based on the following measures:

- The economic sector to which the client belongs in addition to the percentage of revenues generated from each economic sector in which the client operates.
- The country in which the client operates in addition to the percentage of revenues generated from each country region.
- The earning measure estimates the current economic value of the obligor based on his total adjusted assets. The Group defines this as simply total reported assets less intangibles and goodwill.
- Adjusted Total Assets = Total Assets – (Intangibles + Goodwill)

LGD estimates under three distinct scenarios, reflecting expectations of general economic conditions:

Positive: The organization has positive economic expectations over the short-term (1 to 3 years) for the country/region to which the corporate is exposed.

Neutral: This selection is appropriate in cases where the expectations are of little or no GDP growth. Stagnating growth in other relevant factors are also expected. This phase is typically between a trough and peak of a credit cycle.

Negative: This selection signals the expectation of an impending economic downturn.

After determining the client's economic value, the calculation will follow a waterfall approach deducting from this economic value the debt and other liabilities (i.e. debt granted at other banks, recovery cost) and adding the collaterals and recovery enhancements.

All these criteria combined will allow the module to generate the percentage of loss on a facility.

Usage of PD and LGD

As a first step, the PD will allow us to classify the commercial loans portfolio into 3 stages based on the following:

IFRS 9 Stages	PD/Rating Brackets	BCC Internal Rating		Past due in Days	BDL Classification
Stage 1	$0 \leq PD \leq 4.29$ AAA < Rating < B	1	Excellent	Less than 30	1-Current
	$4.30 \leq PD \leq 8.48$ Rating = B-	2	Strong		
	$8.49 \leq PD \leq 12.79$ Rating = CCC+	3	Good	Between 31 and 60 days	2-Watch List
	$12.80 \leq PD \leq 15.71$ Rating = CCC+	4	Satisfactory		
	$15.72 \leq PD \leq 23.71$ Rating = CCC+	5	Adequate		
Stage 2	$23.72 \leq PD \leq 29.12$ Rating = CCC	6	Marginal	Between 61 and 90	3-Watch and Regularization
	$29.13 \leq PD \leq 46.25$ Rating = CCC	7	Vulnerable		
Stage 3	$46.26 \leq PD \leq 53.96$ Rating = CCC	8	Substandard	Between 91 and 180	4-Substandard
	$PD < 53.97$ Rating = CCC	9	Doubtful	Above 180 (classification to be determined by the bank)	5-Doubtful
	$PD \geq 53.97$ Rating = CCC-	10	Loss		6-Loss

Then based on the stage, and on the LGD obtained for each facility, the Group will be able to generate the ECL which is : ECL = PD x LGD x EAD for stage 1 clients, the PD will be point in time and for stage 2 and 3 clients, the PD will be converted to a lifetime PD.

For retail exposures: the simplified approach is used by the Group by which internally generated data of customer behavior, affordability metrics etc. has been used, adjusted by Forward-looking information.

The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL which is also integrated in the S&P module used by the Group.

With respect to investments in Lebanese Government debt securities and as a result of the current situation, the Bank classified these securities in foreign currency within stage 3, while it kept term placements and certificates of deposit issued by the central bank of Lebanon that are classified at amortized cost, under stage 1.

Risk mitigation policies

Collateral:

The Group mainly employs collateral to mitigate credit risk. The principal collateral types for loans and advances are:

- Pledged deposits
- Mortgages over real estate properties (land, commercial and residential properties)
- Bank guarantees
- Financial instruments (equities and debt securities)
- Business other assets (such as inventories and accounts receivable)

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally updated every 3 years and when a loan is individually assessed as impaired.

Generally, Collateral is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities.

Credit Risk monitoring and review

During 2019, the severe and unprecedented economic situation in Lebanon exerted significant pressure on the asset quality of the domestic loan portfolio. As a result, credit quality of the Lebanese loan portfolio has declined driven by a weakening in the borrowers' creditworthiness across various segment types.

The above deterioration in the credit quality of the loans' portfolio in Lebanon was intensified in the subsequent period as a result of the massive and devastating explosion that occurred on August 4, 2020 and which resulted in the destruction of thousands of residential units and businesses in downtown Beirut as well as the eastern side of the capital leaving thousands of citizens homeless and/or jobless.

Write-off policy

The Group writes-off a loan or security (and any related allowances for impairment losses) when the Group's management and credit business unit determine that the loans/securities are uncollectible in whole or in part. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay its obligation in full, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, charge off decisions generally are based on a product specific past due status.

1. Maximum exposure to credit risk

The following corresponds to the maximum credit risk exposure net of the expected credit loss allowances:

	December 31, 2020		
	Gross Carrying Amount (Including Accrued Interest) LBP'000	Expected Credit Losses LBP'000	Net Carrying Amount LBP'000
Cash with central banks	4,712,682,732	(367,574,310)	4,345,108,422
Deposits with banks and financial institutions	81,955,379	(59,562)	81,895,817
Loans to banks	18,674,531	(1,302,928)	17,371,603
Loans and advances to customers	888,606,091	(129,381,370)	759,224,721
Loans and advances to related parties	9,475,376	(1,740,480)	7,734,896
Amortized cost investment securities	1,704,012,000	(89,507,680)	1,614,504,320
	7,415,406,109	(589,566,330)	6,825,839,779
Off-balance sheet commitments	161,985,093	(10,452,330)	151,532,763

	December 31, 2019		
	Gross Carrying Amount (Including Accrued Interest)	Expected Credit Losses	Net Carrying Amount
	LBP'000	LBP'000	LBP'000
Cash with central banks	5,061,662,794	(204,295,309)	4,857,367,485
Deposits with banks and financial institutions	267,700,566	(66,389)	267,634,177
Loans to banks	29,139,989	(1,509,451)	27,630,538
Loans and advances to customers	1,127,358,734	(122,016,993)	1,005,341,741
Loans and advances to related parties	25,389,331	(1,225,262)	24,164,069
Amortized cost investment securities	3,265,657,978	(600,052,973)	2,665,605,005
Customers' liability under acceptances	1,363,415	(227,624)	1,135,791
	9,778,272,807	(929,394,001)	8,848,878,806
Unutilized limits and off-balance sheet commitments	196,888,536	(10,544,436)	186,344,100

The following represents the movement of expected loss allowance during 2020 and 2019:

	Balance as at January 1, 2020	Additional ECL for the Year	Write-offs Upon Reclassification Derecognition	Exchange Difference and Other Movements	Balance as at December 31, 2020
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Cash with central banks	204,295,309	163,279,001	-	-	367,574,310
Deposits with banks and financial institutions	66,389	(6,821)	-	(6)	59,562
Loans to banks	1,509,451	(206,523)	-	-	1,302,928
Loans and advances to customers	122,016,993	8,649,506	-	(1,285,129)	129,381,370
Loans and advances to related parties	1,225,262	515,218	-	-	1,740,480
Amortized cost investment securities	600,052,973	81,240,760	(591,786,053)	-	89,507,680
Customers' liability under acceptances	227,624	(227,624)	-	-	-
Off-balance sheet commitments	10,544,436	(92,106)	-	-	10,452,330
	939,938,437	253,151,411	(591,786,053)	(1,285,135)	600,018,660

	Balance as at January 1, 2019	Additional ECL for the Year	Transfer from Deferred Liability	Exchange Difference and Other Movements	Balance as at December 31, 2019
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Cash with central banks	16,302,363	188,095,076	-	(102,130)	204,295,309
Deposits with banks and financial institutions	318,523	(250,531)	-	(1,603)	66,389
Loans to banks	512,426	997,025	-	-	1,509,451
Loans and advances to customers	99,544,064	23,077,552	-	(604,623)	122,016,993
Loans and advances to related parties	162,232	1,063,030	-	-	1,225,262
Amortized cost investment securities	82,676,156	114,740,470	403,171,666	(535,319)	600,052,973
Customers' liability under acceptances	36,706	190,918	-	-	227,624
Unutilized limits and off-balance sheet commitments	1,107,220	9,437,246	-	(30)	10,544,436
	200,659,690	337,350,786	403,171,666	(1,243,705)	939,938,437

1.1) Balances with central banks

Balances with central banks are classified under stage 1.

Changes in carrying amounts of balances with central banks that contributed to changes in loss allowance are detailed as follows:

	Stage 1 12-month ECL	
	2020	2019
	LBP'000	LBP'000
Gross carrying amount as at January 1,	4,955,627,486	3,692,520,625
New financial assets originated or purchased	1,634,567,999	5,131,900,358
Financial assets that have been derecognized	(1,996,622,495)	(3,868,793,497)
Gross carrying amount as at December 31,	4,593,572,990	4,955,627,486
Accrued interest receivable	119,109,742	106,035,308
	4,712,682,732	5,061,662,794

Movement of loss allowance on balances with central banks is detailed as follows:

	Stage 1 12-month ECL	
	2020	2019
	LBP'000	LBP'000
Loss allowance as at January 1,	204,295,309	16,302,363
Changes to increase in credit risk	137,219,097	169,528,233
New financial assets originated or purchased	26,901,571	26,082,708
Financial assets that have been derecognised	(841,667)	(7,515,865)
Effect of foreign exchange	-	(102,130)
Loss allowance as at December 31,	367,574,310	204,295,309

1.2) Deposits with banks and financial institutions

Deposits with banks and financial institutions are classified under stage 1.

Changes in carrying amounts of deposits with banks and financial institutions that contributed to changes in loss allowance is detailed as follows:

	Stage 1 12-month ECL	
	2020	2019
	LBP'000	LBP'000
Gross carrying amount as at January 1,	267,682,977	524,928,358
New financial assets originated or purchased	22,615,000	52,762,508
Financial assets that have been derecognized	(208,356,586)	(310,007,889)
Gross carrying amount as at December 31,	81,941,391	267,682,977
Accrued interest receivable	13,988	17,589
	81,955,379	267,700,566

The movement of expected credit loss allowance on deposits with banks and financial institutions is detailed as follows:

	Stage 1 12-month ECL	
	2020	2019
	LBP'000	LBP'000
Loss allowance as at January 1,	66,389	318,523
Increase in credit risk	-	2,844,476
New financial assets originated or purchased	138,257	2,877,095
Financial assets that have been derecognised	(145,084)	(5,972,102)
Effect of exchange rate	-	(1,603)
Loss allowance as at December 31,	59,562	66,389

1.3) Loans to banks

Changes in carrying amounts of loan to a bank that contributed to changes in loss allowance is detailed as follows:

	Stage 1 12-month ECL	
	2020	2019
	LBP'000	LBP'000
Gross carrying amount as at January 1,	28,900,000	39,500,000
Financial assets that have been derecognised	(10,400,000)	(10,600,000)
Gross carrying amount as at December 31,	18,500,000	28,900,000
Accrued interest receivable	174,531	239,989
	18,674,531	29,139,989

The movement of expected credit loss allowance on loans to a banks is detailed as follows:

	Stage 1 12-month ECL	
	2020	2019
	LBP'000	LBP'000
Loss allowance as at January 1,	1,509,451	512,426
Increase in credit risk	-	1,240,399
Financial assets that have been derecognised	(206,523)	(243,374)
Loss allowance as at December 31,	1,302,928	1,509,451

1.4) Loans and advances to customers:

The allocation of loans and advances to customers by grade to their respective stage is presented as follows:

	December 31, 2020			
	Stage 1 12-month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total LBP'000
Grades 1-3: low to fair risk	791,805,290	-	-	791,805,290
Grades 4-6: Monitoring	-	11,762,083	-	11,762,083
Grades 7-8: Substandard	-	-	42,638,763	42,638,763
Grade 9: Doubtful	-	-	32,817,419	32,817,419
Grade 10: Impaired	-	-	9,322,472	9,322,472
Total gross carrying amount	791,805,290	11,762,083	84,778,654	888,346,027
Loss allowance	(67,458,453)	(2,047,556)	(59,875,361)	(129,381,370)
Carrying Amount	724,346,837	9,714,527	24,903,293	758,964,657
Accrued interest receivable				260,064
				759,224,721

	December 31, 2019			
	Stage 1 12-month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total LBP'000
Grades 1-3: low to fair risk	1,022,722,250	-	-	1,022,722,250
Grades 4-6: Monitoring	-	27,436,243	-	27,436,243
Grades 7-8: Substandard	-	-	38,477,667	38,477,667
Grade 9: Doubtful	-	-	34,429,459	34,429,459
Grade 10: Impaired	-	-	3,832,841	3,832,841
Total gross carrying amount	1,022,722,250	27,436,243	76,739,967	1,126,898,460
Loss allowance	(63,924,448)	(2,112,928)	(55,979,617)	(122,016,993)
Carrying Amount	958,797,802	25,323,315	20,760,350	1,004,881,467
Accrued interest receivable				460,274
				1,005,341,741

Changes in carrying amounts of loans to customers (excluding accrued interest) that contributed to changes in loss allowance is detailed as follows:

	December 31, 2020			
	Stage 1 12-month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total LBP'000
Gross carrying amount as at January 1, 2020	1,022,742,190	27,436,243	76,720,027	1,126,898,460
Changes in the loss allowance:				
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	(30,666,233)	(7,698,183)	38,364,416	-
- Changes due to modifications that did not result in derecognition	(144,970,727)	(3,808,000)	(8,450,486)	(157,229,213)
New financial assets originated or purchased	1,992,766	403	-	1,993,169
Financial assets that have been settled	(57,888,662)	(4,166,372)	(21,835,475)	(83,890,509)
Foreign exchange and other movements	595,956	(2,008)	(19,828)	574,120
Gross carrying amount as at December 31, 2020	791,805,290	11,762,083	84,778,654	888,346,027

	December 31, 2019			
	Stage 1 12-month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total LBP'000
Gross carrying amount as at January 1, 2019	1,234,466,871	27,278,513	76,239,489	1,337,984,873
Changes in the loss allowance:				
- Transfer to Stage 1	(813)	-	813	-
- Transfer to Stage 2	(15,159,062)	15,159,062	-	-
- Transfer to Stage 3	(118,581)	(5,036,994)	5,155,575	-
- Changes due to modifications that did not result in derecognition	(79,060,016)	(4,674,122)	(2,721,624)	(86,455,762)
New financial assets originated or purchased	54,491,442	42,264	-	54,533,706
Financial assets that have been settled	(172,053,820)	(5,332,047)	(1,953,764)	(179,339,631)
Foreign exchange and other movements	176,169	(433)	(462)	175,274
Gross carrying amount as at December 31, 2019	1,022,742,190	27,436,243	76,720,027	1,126,898,460

The movement of expected credit losses for loans and advances is as follows:

	December 31, 2020			
	Stage 1 12-month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total LBP'000
Loss allowance as at January 1, 2020	63,924,448	2,112,928	55,979,617	122,016,993
Changes in the loss allowance:				
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	(1,865,605)	(341,515)	2,207,120	
- Increases due to change in credit risk	-	-	17,382,613	17,382,613
- Decrease due to change in credit risk	(1,860,764)	(341,512)	-	(2,202,276)
- Changes due to modifications that did not result in derecognition	10,186,849	879,761	(958,289)	10,108,321
New financial assets originated or purchased	9,662	31	-	9,693
Financial assets that have been settled	(2,936,137)	(262,137)	(14,728,991)	(17,927,265)
Financial assets that have been settled	-	-	(6,709)	(6,709)
Loss allowance as at December 31, 2020	67,458,453	2,047,556	59,875,361	129,381,370

	December 31, 2019			
	Stage 1 12-month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total LBP'000
Loss allowance as at January 1, 2019	63,175,087	1,573,876	34,795,101	99,544,064
Changes in the loss allowance:				
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	(294,702)	294,702	-	-
- Transfer to Stage 3	(299)	(2,451)	2,750	-
- Increases due to change in credit risk	-	1,517,641	21,795,808	23,313,449
- Changes due to modifications that did not result in derecognition	1,525,345	(990,140)	(24,589)	510,616
New financial assets originated or purchased	1,083,609	309	-	1,083,918
Financial assets that have been settled	(1,564,592)	(281,009)	(589,453)	(2,435,054)
Loss allowance as at December 31, 2019	63,924,448	2,112,928	55,979,617	122,016,993

The allocation of loans and advances to related parties by grade to their respective stage is presented as follows:

	December 31, 2020			
	Stage 1 12-month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total LBP'000
Grades 1-3: low to fair risk	9,471,671	-	-	9,471,671
Total gross carrying amount	9,471,671	-	-	9,471,671
Loss allowance	(1,740,480)	-	-	(1,740,480)
Carrying Amount	7,731,191	-	-	7,731,191
Accrued interest receivable				3,705
				7,734,896

	December 31, 2019			
	Stage 1 12-month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total LBP'000
Grades 1-3: low to fair risk	25,384,542	-	-	25,384,542
Total gross carrying amount	25,384,542	-	-	25,384,542
Loss allowance	(1,225,262)	-	-	(1,225,262)
Carrying Amount	24,159,280	-	-	24,159,280
Accrued interest receivable				4,789
				24,164,069

Changes in carrying amounts of loans to related parties (excluding accrued interest) that contributed to changes in loss allowance is detailed as follows:

	2020			
	Stage 1 12-month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total LBP'000
Gross carrying amount as at January 1, 2020	25,384,542	-	-	25,384,542
Changes in the loss allowance:				
Changes due to modifications that did not result in derecognition	(13,888,874)	-	-	(13,888,874)
New financial assets originated or purchased	16,352	-	-	16,352
Financial assets that have been settled	(2,041,848)	-	-	(2,041,848)
Foreign exchange and other movements	1,499	-	-	1,499
Gross carrying amount as at December 31, 2020	9,471,671	-	-	9,471,671

	2019			
	Stage 1 12-month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total LBP'000
Gross carrying amount as at January 1, 2019	77,516,989	-	-	77,516,989
Changes in the loss allowance:				
Changes due to modifications that did not result in derecognition	(50,940,882)	-	-	(50,940,882)
New financial assets originated or purchased	566	-	-	566
Financial assets that have been settled	(1,192,500)	-	-	(1,192,500)
Foreign exchange and other movements	369	-	-	369
Gross carrying amount as at December 31, 2019	25,384,542	-	-	25,384,542

The movement of expected credit losses for loans and advances to related parties is as follows:

	2020			
	Stage 1 12-month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total LBP'000
Loss allowance as at January 1, 2020	1,225,262	-	-	1,225,262
Changes in the loss allowance:				
Changes due to modifications that did not result in derecognition	515,707	-	-	515,707
New financial assets originated or purchased	107	-	-	107
Financial assets that have been settled	(596)	-	-	(596)
Loss allowance as at December 31, 2020	1,740,480	-	-	1,740,480

	2019			
	Stage 1 12-month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total LBP'000
Loss allowance as at January 1, 2019	162,232	-	-	162,232
Changes in the loss allowance:				
Changes due to modifications that did not result in derecognition	1,063,650	-	-	1,063,650
New financial assets originated or purchased	70	-	-	70
Financial assets that have been settled	(690)	-	-	(690)
Loss allowance as at December 31, 2019	1,225,262	-	-	1,225,262

1.5) Investment securities

The movement of investment securities that contributed to changes in expected credit losses for the years 2020 and 2019 are summarized as follows:

	2020			
	Stage 1 12-month ECL LBP'000	Stage 2 12-month ECL LBP'000	Stage 3 12-month ECL LBP'000	Total LBP'000
Balance as at January 1,	2,162,180,685	-	1,043,224,873	3,205,405,558
Changes in gross carrying amount:				
Transfer (to)/from investment - securities at fair value through profit or loss	-	-	(1,257,800,928)	(1,257,800,928)
Sales	(529,825,978)	-	-	(529,825,978)
Matured	(9,000,000)	-	-	(9,000,000)
Effect of amortized premium and discount	(35,358,362)	-	-	(35,358,362)
Effect of unamortized premium and discount	309,408,975	-	-	309,408,975
Accrued interest receivable	21,182,735	-	-	21,182,735
Balance as at December 31,	1,918,588,055	-	(214,576,055)	1,704,012,000

	2019			
	Stage 1 12-month ECL LBP'000	Stage 2 12-month ECL LBP'000	Stage 3 12-month ECL LBP'000	Total LBP'000
Balance as at January 1,	4,264,334,138	-	-	4,264,334,138
Changes in gross carrying amount:				
Transfer to stage 3	(1,043,224,873)	-	1,043,224,873	-
Additions	686,451,000	-	-	686,451,000
Transfer (to)/from investment - securities at fair value through profit or loss	41,421,577	-	-	41,421,577
Sales	(2,166,990,892)	-	-	(2,166,990,892)
Swaps, net	(108,553,693)	-	-	(108,553,693)
Matured	(8,520)	-	-	(8,520)
Effect of amortized premium and discount	(95,083,051)	-	-	(95,083,051)
Effect of unamortized premium and discount	180,663,333	-	-	180,663,333
Transfer of deferred regulatory liability	403,171,666	-	-	403,171,666
Accrued interest receivable	60,252,420	-	-	60,252,420
Balance as at December 31,	2,222,433,105	-	1,043,224,873	3,265,657,978

The movement of expected credit loss allowance for investments at amortized cost is as follows:

	December 31, 2019			
	Stage 1 12-Month ECL	Stage 2 12-Month ECL	Stage 3 12-Month ECL	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Balance as at January 1,	82,676,156	-	-	82,676,156
Changes due to modifications that did not result in derecognition	166,809,617	-	-	166,809,617
Financial assets that have been derecognised	(52,069,146)	-	-	(52,069,146)
Transfer from deferred contribution	-	-	403,171,666	403,171,666
Transfer to stage 3	(132,404,801)	-	132,404,801	-
Foreign exchange and other movements	(535,320)	-	-	(535,320)
Loss allowance as at December 31,	64,476,506	-	535,576,467	600,052,973

	Stage 1 12-month ECL 2020
	LBP'000
Loss allowance as at January 1,	600,052,973
Changes due to modifications that did not result in derecognition	(28,456,331)
New financial assets originated or purchased	178,255,094
Financial assets that have been derecognised	(660,344,056)
Loss allowance as at December 31,	89,507,680

1.6) Customer's liability under acceptances

Customers' liability under acceptances represents facilities granted only for resident customers and are classified as follows:

	Stage 1 12-month ECL	
	2020	2019
	LBP'000	LBP'000
Grades 1-3: low to fair risk	-	1,363,415
Total gross carrying amount	-	1,363,415
Loss allowance	-	(227,624)
Carrying Amount	-	1,135,791

Changes in carrying amounts of customer liability under acceptance that contributed to changes in loss allowance is detailed as follows:

	Stage 1 12-month ECL	
	2020	2019
	LBP'000	LBP'000
Gross carrying amount as at January 1,	1,363,415	18,526,913
Changes in the loss allowance:		
Changes due to modifications that did not result in derecognition	-	(2,244,661)
New financial assets originated or purchased	-	599,102
Financial assets that have been settled	(1,363,415)	(15,517,939)
Gross carrying amount as at December 31,	-	1,363,415

The movement of expected credit loss allowance on customer's liability under acceptances is as follows:

	Stage 1 12-month ECL	
	2020	2019
	LBP'000	LBP'000
Loss allowance as at January 1,	227,624	36,707
Changes due to modifications that did not result in derecognition	-	102,216
New financial assets originated or purchased	-	125,186
Financial assets that have been derecognised	(227,624)	(36,485)
Loss allowance as at December 31,	-	227,624

Loan commitments and financial guarantees are classified as follows:

	December 31, 2020			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Grades 1-3: low to fair risk	152,239,533	-	-	152,239,533
Grades 4-6: Monitoring	-	21,794	-	21,794
Grades 7-8: Substandard	-	-	9,723,766	9,723,766
Total gross carrying amount	152,239,533	21,794	9,723,766	161,985,093
Loss allowance	(9,171,644)	(2,550)	(1,278,136)	(10,452,330)
Carrying Amount	143,067,889	19,244	8,445,630	151,532,763

	December 31, 2019			
	Stage 1 12-month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total LBP'000
Grades 1-3: low to fair risk	190,839,021	-	-	190,839,021
Grades 4-6: Monitoring	-	28,607	-	28,607
Grades 7-8: Substandard	-	-	7,320,908	7,320,908
Total gross carrying amount	190,839,021	28,607	7,320,908	198,188,536
Loss allowance	(9,779,281)	(274)	(764,881)	(10,544,436)
Carrying Amount	181,059,740	28,333	6,556,027	187,644,100

Changes in carrying amounts of loan commitments that contributed to changes in loss allowance is detailed as follows:

	2020			
	Stage 1 12-month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total LBP'000
Total amount committed as at January 1, 2020	190,839,022	28,606	7,320,908	198,188,536
Transfer to Stage 3	(1,769,875)	-	1,769,875	-
Changes in the amounts committed:				
Changes due to modifications	(5,755,719)	(625)	1,399,833	(4,356,511)
New loan commitments originated or purchased	2,942,198	-	-	2,942,198
Financial assets that have been settled	(34,016,093)	(6,187)	(766,850)	(34,789,130)
Gross carrying amount as at December 31, 2020	152,239,533	21,794	9,723,766	161,985,093

	2019			
	Stage 1 12-month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total LBP'000
Total amount committed as at January 1, 2019	386,630,619	7,960,547	-	394,591,166
Transfer to Stage 3	(13,411,341)	-	13,411,341	-
Changes in the amounts committed:				
Changes due to modifications	(102,833,875)	(4,519,782)	(6,090,433)	(113,444,090)
New loan commitments originated or purchased	20,161,867	-	-	20,161,867
Financial assets that have been settled	(99,708,248)	(3,412,159)	-	(103,120,407)
Gross carrying amount as at December 31, 2019	190,839,022	28,606	7,320,908	198,188,536

	2020			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	LBP'000	**LBP'000**	**LBP'000**	**LBP'000**
Loss allowance as at January 1, 2020	9,779,281	274	764,881	10,544,436
Transfer to Stage 3	(218,275)	-	218,275	-
Changes in the amounts committed:				
Changes due to modifications	1,795,549	2,481	375,100	2,173,130
New loan commitments originated or purchased	93,585	-	-	93,585
Financial assets that have been settled	(2,278,496)	(205)	(80,120)	(2,358,821)
Loss allowance as at December 31, 2020	9,171,644	2,550	1,278,136	10,452,330

	2019			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	LBP'000	**LBP'000**	**LBP'000**	**LBP'000**
Loss allowance as at January 1, 2019	1,038,050	69,170	-	1,107,220
Transfer to Stage 3	(232,198)	-	232,198	-
Changes in the amounts committed:				
Changes due to modifications	8,608,361	(61,977)	532,683	9,079,067
New loan commitments originated or purchased	695,343	-	-	695,343
Financial assets that have been settled	(330,275)	(6,919)	-	(337,194)
Loss allowance as at December 31, 2019	9,779,281	274	764,881	10,544,436

Concentration of major financial assets by industry or sector:

	December 31, 2020								
	Sovereign LBP'000	Financial Services LBP'000	Real Estate Development LBP'000	Manufacturing LBP'000	Trading LBP'000	Services LBP'000	Individuals LBP'000	Other LBP'000	Total LBP'000
Cash and deposits with central banks	4,394,337,545	-	-	-	-	-	-	-	4,394,337,545
Deposits with banks and financial institutions	-	95,784,301	-	-	-	-	-	-	95,784,301
Loans to banks and financial institutions	-	17,371,603	-	-	-	-	-	-	17,371,603
Loans and advances to customers	102,986	3,056,345	67,460,341	33,712,945	35,886,847	424,034,988	191,993,941	2,976,328	759,224,721
Loans and advances to related parties	-	723	1,460,134	1,540,204	2,513,231	(1,460,134)	3,677,051	3,687	7,734,896
Investment securities at fair value through profit or loss	340,782,908	7,626,583	-	-	-	-	-	-	348,409,491
Investment securities at amortized cost	1,614,504,320	-	-	-	-	-	-	-	1,614,504,320
	6,349,727,759	123,839,555	68,920,475	35,253,149	38,400,078	422,574,854	195,670,992	2,980,015	7,237,366,877

	December 31, 2019								
	Sovereign LBP'000	Financial Services LBP'000	Real Estate Development LBP'000	Manufacturing LBP'000	Trading LBP'000	Services LBP'000	Individuals LBP'000	Other LBP'000	Total LBP'000
Cash and deposits with central banks	4,881,658,753	-	-	-	-	-	-	-	4,881,658,753
Deposits with banks and financial institutions	-	284,895,336	-	-	-	-	-	-	284,895,336
Loans to banks and financial institutions	-	27,630,538	-	-	-	-	-	-	27,630,538
Loans and advances to customers	107,626	5,696,488	197,779,603	44,174,221	52,935,871	419,567,104	279,323,864	5,756,964	1,005,341,741
Loans and advances to related parties	-	13,236,296	7,873,245	-	1,623,957	421	1,425,361	4,789	24,164,069
Investment securities at fair value through profit or loss	99,898,143	8,939,812	-	-	-	-	-	-	108,837,955
Investment securities at amortized cost	2,665,605,005	-	-	-	-	-	-	-	2,665,605,005
	7,647,269,527	340,398,470	205,652,848	44,174,221	54,559,828	419,567,525	280,749,225	5,761,753	8,998,133,397

Concentration of major financial assets and liabilities by geographical area:

	December 31, 2020					
	Lebanon LBP'000	Middle East and Africa LBP'000	North America LBP'000	Europe LBP'000	Other LBP'000	Total LBP'000
ASSETS						
Cash and deposits with central banks	4,337,764,695	2,360,920	-	54,211,930	-	4,394,337,545
Deposits with banks and financial institutions	14,317,209	639,356	37,211,348	43,384,236	232,152	95,784,301
Loans to banks and financial institutions	17,371,603	-	-	-	-	17,371,603
Loans and advances to customers	482,833,980	272,732,324	-	2,754,922	903,495	759,224,721
Loans and advances to related parties	7,734,731	164	-	-	-	7,734,895
Investment securities at fair value through profit or loss	348,409,491	-	-	-	-	348,409,491
Investment securities at amortized cost	1,614,504,320	-	-	-	-	1,614,504,320
	6,822,936,029	275,732,764	37,211,348	100,351,088	1,135,647	7,237,366,876
LIABILITIES						
Deposits from banks and financial institutions	15,798,067	3,133,745	-	25,859,015	-	44,790,827
Deposits from customers	4,497,211,315	1,231,344,523	132,487,168	223,835,355	61,030,163	6,145,908,524
Deposits from related parties	157,812,575	-	-	-	-	157,812,575
Borrowings from the central bank of Lebanon	188,006,070	-	-	-	-	188,006,070
Subordinated bonds	65,199,375	-	-	-	-	65,199,375
	4,924,027,402	1,234,478,268	132,487,168	249,694,370	61,030,163	6,601,717,371

	December 31, 2019					
	Lebanon LBP'000	Middle East and Africa LBP'000	North America LBP'000	Europe LBP'000	Other LBP'000	Total LBP'000
ASSETS						
Cash and deposits with central banks	4,840,125,569	20,113,967	-	21,419,217	-	4,881,658,753
Deposits with banks and financial institutions	17,154,193	-	195,062,944	70,477,804	2,200,395	284,895,336
Loans to banks and financial institutions	27,630,538	-	-	-	-	27,630,538
Loans and advances to customers	715,964,959	284,193,513	-	3,814,477	1,368,792	1,005,341,741
Loans and advances to related parties	24,146,094	17,554	-	421	-	24,164,069
Investment securities at fair value through profit or loss	108,837,955	-	-	-	-	108,837,955
Investment securities at amortized cost	2,665,605,005	-	-	-	-	2,665,605,005
	8,399,464,313	304,325,034	195,062,944	95,711,919	3,569,187	8,998,133,397
LIABILITIES						
Deposits from banks and financial institutions	84,660,989	-	-	39,148,991	-	123,809,980
Deposits from customers	5,975,008,778	1,272,168,569	134,612,454	228,953,836	62,202,911	7,672,946,548
Deposits from related parties	235,365,256	-	-	-	-	235,365,256
Borrowings from the central bank of Lebanon	205,153,349	-	-	-	-	205,153,349
Subordinated bonds	60,676,875	-	-	-	-	60,676,875
	6,560,865,247	1,272,168,569	134,612,454	268,102,827	62,202,911	8,297,952,008

B. Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. That being said, Lebanon is facing adverse conditions and high level of uncertainty since October 2019 and up to the date of the financial statements, as a result of deterioration of the economic environment following the social unrest which lead to disruption of normal operations of most business sectors and closure of the banking sector for a period of time during the last quarter of 2019, resulting in a de-facto capital control, leading to incremental credit risks and restricted access to foreign currency among other adverse factors.

The central bank of Lebanon, through its Basic circular 154 dated August 27, 2020, issued various requirements aiming at restoring the normal banking operations in Lebanon to their pre-October 2019 levels. Among these requirements, Lebanese banks were requested to maintain total current account balance with foreign correspondent banks (international liquidity that is free of any obligation) in excess of 3% of the bank's total foreign currency deposits as at July 31, 2020 by February 28, 2021. On December 24, 2020, the Banking Control Commission of Lebanon issued memo 18/2020 that contains guidance for the calculation of this ratio. On February 23, 2021, the Bank submitted to the regulators its calculation reflecting a ratio exceeding the minimum regulatory ratio of 3% as per BDL circular 154, taking into consideration the fair market value of the Bank's portfolio of Eurobonds held with Euroclear. The exceptional approval of the regulators for meeting the ratio, taking into consideration the fair value of the Bank's portfolio of Eurobonds held with Euroclear, is obtained on April 21, 2021.

The table below shows the allocation of major monetary liabilities based on the earliest possible contractual maturity (undiscounted values).

	December 31, 2020						
	Accounts with no Maturity LBP'Million	Up to 3 Months LBP'Million	3 Months to 1 Year LBP'Million	1 to 3 Years LBP'Million	3 to 5 Years LBP'Million	Over 5 Years LBP'Million	Total LBP'Million
Financial Liabilities							
Deposits and borrowings from banks and financial institutions	7,178	37,613	-	-	-	-	44,791
Deposits from customers	1,102,715	3,494,011	1,308,381	143,011	97,675	116	6,145,909
Deposits from related parties	-	157,813	-	-	-	-	157,813
Borrowings from the central bank of Lebanon	2,011	2,706	13,875	41,098	36,433	91,883	188,006
Subordinated bonds	4,899	-	-	-	-	60,300	65,199
	1,116,803	3,692,143	1,322,256	184,109	134,108	152,299	6,601,718

	December 31, 2019						
	Accounts with no Maturity LBP'Million	Up to 3 Months LBP'Million	3 Months to 1 Year LBP'Million	1 to 3 Years LBP'Million	3 to 5 Years LBP'Million	Over 5 Years LBP'Million	Total LBP'Million
Financial Liabilities							
Deposits and borrowings from banks and financial institutions	4,814	118,996	-	-	-	-	123,810
Deposits from customers	12,873	5,498,508	1,429,168	659,784	72,614	-	7,672,947
Deposits from related parties	-	234,271	1,094	-	-	-	235,365
Borrowings from the central bank of Lebanon	520	3,073	13,271	43,226	42,602	102,461	205,153
Subordinated bonds	377	-	-	-	-	60,300	60,677
	18,584	5,854,848	1,443,533	703,010	115,216	162,761	8,297,952

The maturity of the financial liabilities presented above is based on the contractual maturities and not the forecasted maturity that might diverge from the contractual.

C. Market Risks

Market Risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and loan diversification.

The Group manages market risks through a framework that defines the global activity and individual limits and sensitivity analysis.

1. Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments or expected cash flows from income generating financial assets and liabilities. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of financial assets and liabilities.

Large amounts of the Group's financial assets, primarily investments in certificates of deposit and Lebanese government bonds in Lebanese pounds and foreign currencies, carry fixed interest rates, whereas customers' accounts and loans and advances to customers are re-priced on a regular basis which, consequently, leads to major risks from the mismatch between the sources and uses of funds, and in its turn increases interest rate risk which was intensified after the Lebanese Government announced its discontinuation of payments on all of its U.S. Dollar denominated Eurobonds.

Income sensitivity is the effect of the assumed changes in the interest rate on the net interest revenues for a specific year on the non-trading assets and liabilities. Analysis of various banking currency positions is made through concentrations by currencies and, resulting sensitivity is disclosed in thousands of Lebanese pounds and segregated between financial assets and liabilities subject to variable and fixed interest rates.

Exposure to interest rate risk

Below is a summary of the Group's interest rate gap position on major financial assets and liabilities reflected at carrying amounts at year end by reprising time bands:

	December 31, 2020						
	Accounts with no Maturity LBP Million	Up to 3 Months LBP Million	3 Months to 1 Year LBP Million	1 to 3 Years LBP Million	3 to 5 Years LBP Million	Over 5 Years LBP Million	Total LBP Million
FINANCIAL ASSETS							
Cash and deposits with central banks	(175,755)	791,239	365,364	1,235,772	281,140	1,896,578	4,394,338
Deposits with banks and financial institutions	(60)	95,844	-	-	-	-	95,784
Loans to banks and financial institutions	(1,128)	-	9,000	8,000	1,500	-	17,372
Loans and advances to customers	31,416	260,416	59,957	143,067	118,241	146,128	759,225
Loans and advances to related parties	-	7,735	-	-	-	-	7,735
Investment securities at fair value through profit or loss	8,632	3,363	754	15,416	13,635	306,609	348,409
Investment securities at amortized cost	(68,324)	-	128,626	820,061	181,230	552,911	1,614,504
	(205,219)	1,158,597	563,701	2,222,316	595,746	2,902,226	7,237,367
FINANCIAL LIABILITIES							
Deposits and borrowings from banks and financial institutions	7,179	43,280	(5,668)	-	-	-	44,791
Deposits from customers	1,102,715	3,494,011	1,308,381	143,011	97,675	116	6,145,909
Deposits from related parties	-	157,813	-	-	-	-	157,813
Borrowings from the central bank of Lebanon	2,011	2,706	13,875	41,098	36,433	91,883	188,006
Subordinated bonds	4,899	-	-	-	-	60,300	65,199
	1,116,804	3,697,810	1,316,588	184,109	134,108	152,299	6,601,718

	December 31, 2019						
	Accounts with no Maturity LBP Million	Up to 3 Months LBP Million	3 Months to 1 Year LBP Million	1 to 3 Years LBP Million	3 to 5 Years LBP Million	Over 5 Years LBP Million	Total LBP Million
FINANCIAL ASSETS							
Cash and deposits with central banks	171,996	506,978	429,659	1,694,668	378,987	1,699,371	4,881,659
Deposits with banks and financial institutions	252	284,643	-	-	-	-	284,895
Loans to banks and financial institutions	-	203	10,000	13,000	4,428	-	27,631
Loans and advances to customers	233,855	272,186	64,293	160,117	101,122	173,769	1,005,342
Loans and advances to related parties	-	18,085	6,079	-	-	-	24,164
Investment securities at fair value through profit or loss	2,171	20,130	754	754	754	84,275	108,838
Investment securities at amortized cost	-	6,415	20,340	483,299	564,583	1,590,968	2,665,605
	408,274	1,108,640	531,125	2,351,838	1,049,874	3,548,383	8,998,134
FINANCIAL LIABILITIES							
Deposits and borrowings from banks and financial institutions	4,814	118,996	-	-	-	-	123,810
Deposits from customers	12,873	5,498,508	1,429,168	659,784	72,614	-	7,672,947
Deposits from related parties	-	234,271	1,094	-	-	-	235,365
Borrowings from the central bank of Lebanon	520	3,073	13,271	43,226	42,602	102,461	205,153
Subordinated bonds	377	-	-	-	-	60,300	60,677
	18,584	5,854,848	1,443,533	703,010	115,216	162,761	8,297,952

2. Foreign Exchange risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates.

Below is the carrying value of assets and liabilities segregated by major currencies to reflect the Group's exposure to foreign currency exchange risk at year end:

	December 31, 2020					
	LBP	USD C/V in LBP	Euro C/V in LBP	GBP C/V in LBP	Other Currencies C/V in LBP	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Assets:						
Cash and deposits with central banks	1,402,470,401	2,600,820,801	380,787,600	9,421,581	837,162	4,394,337,545
Deposits with banks and financial institutions	2,924,665	67,782,769	10,993,865	224,367	13,858,635	95,784,301
Loans to banks and financial institutions	17,371,603	-	-	-	-	17,371,603
Loans and advances to customers	331,201,747	424,739,846	3,268,547	9,915	4,666	759,224,721
Loans and advances to related parties	2,847,771	4,885,987	1,137	-	-	7,734,895
Investment securities at fair value through profit or loss	187,951,114	160,458,377	-	-	-	348,409,491
Investment securities at amortized cost	888,700,292	725,804,028	-	-	-	1,614,504,320
Assets acquired in satisfaction of loans	6,398,833	46,965,519	-	-	-	53,364,352
Property and equipment	52,512,325	13,252,606	89,405	-	82,192	65,936,528
Intangible assets	627,344	-	54,112	-	23,241	704,697
Right of use of assets	326,865	1,529,311	66,890	-	-	1,923,066
Other assets	36,642,842	(20,069,256)	183,295	4,091	848,250	17,609,222
Total Assets	2,929,975,802	4,026,169,988	395,444,851	9,659,954	15,654,146	7,376,904,741
Liabilities						
Deposits from banks	14,827,663	25,960,471	3,976,459	15,973	10,261	44,790,827
Deposits from customers	1,621,657,594	4,165,877,004	334,462,199	9,615,326	14,296,401	6,145,908,524
Deposits from related parties	2,500,755	147,031,521	8,270,223	10,362	(286)	157,812,575
Lease liability	350,316	1,553,719	-	-	-	1,904,035
Borrowings from the central bank of Lebanon	185,895,389	2,110,681	-	-	-	188,006,070
Other liabilities	87,639,045	58,701,886	(43,433,375)	18,887	364,418	103,290,861
Provisions	12,530,552	76,830,664	-	-	-	89,361,216
Subordinated bonds	-	65,199,375	-	-	-	65,199,375
Total Liabilities	1,925,401,314	4,543,265,321	303,275,506	9,660,548	14,670,794	6,796,273,483
Currencies to be delivered	-	43,065,368	-	-	-	43,065,368
Currencies to be receives	-	(46,904)	(43,503,435)	-	-	(43,550,339)
	-	43,018,464	(43,503,435)	-	-	(484,971)
Net on-balance sheet financial position	1,004,574,488	(474,076,869)	48,665,910	(594)	983,352	580,146,288

	December 31, 2019					
	LBP	USD C/V in LBP	Euro C/V in LBP	GBP C/V in LBP	Other Currencies C/V in LBP	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Assets:						
Cash and deposits with central banks	1,729,832,752	2,622,629,398	520,605,788	287,065	8,303,750	4,881,658,753
Deposits with banks and financial institutions	6,085,314	258,515,279	3,488,333	9,212,420	7,593,990	284,895,336
Loans to banks and financial institutions	27,630,538	-	-	-	-	27,630,538
Loans and advances to customers	331,635,588	656,775,110	16,426,434	504,609	-	1,005,341,741
Loans and advances to related parties	2,779,707	21,367,742	16,620	-	-	24,164,069
Investment securities at fair value through profit or loss	76,303,168	32,534,787	-	-	-	108,837,955
Investment securities at amortized cost	1,280,874,892	1,384,730,113	-	-	-	2,665,605,005
Customers' liability under acceptances	-	1,135,791	-	-	-	1,135,791
Assets acquired in satisfaction of loans	6,398,833	44,374,729	-	-	-	50,773,562
Property and equipment	56,915,407	7,173,161	176,541	-	167,711	64,432,820
Intangible assets	607,113	-	40,399	-	39,687	687,199
Right of use of assets	518,564	3,273,957	121,905	-	-	3,914,426
Other assets	7,414,216	231,863	107,661	926	1,116,542	8,871,208
Total Assets	3,526,996,092	5,032,741,930	540,983,681	10,005,020	17,221,680	9,127,948,403
Liabilities						
Deposits from banks	80,506,768	36,567,170	5,714,965	1,011,649	9,428	123,809,980
Deposits from customers	2,184,758,889	4,959,730,575	486,556,979	18,994,008	22,906,097	7,672,946,548
Deposits from related parties	37,118,518	173,671,713	24,565,714	9,003	308	235,365,256
Liability under acceptance	-	1,363,415	-	-	-	1,363,415
Lease liability	554,909	2,994,433	-	-	-	3,549,342
Borrowings from the central bank of Lebanon	196,018,213	9,135,136	-	-	-	205,153,349
Other liabilities	61,430,628	20,577,514	(6,006,356)	10,214,746	461,082	86,677,614
Provisions	21,095,942	36,654,477	-	-	-	57,750,419
Subordinated bonds	-	60,676,875	-	-	-	60,676,875
Total Liabilities	2,581,483,867	5,301,371,308	510,831,302	30,229,406	23,376,915	8,447,292,798
Currencies to be delivered	-	2	-	10,169,590	-	10,169,592
Currencies to be receives	5,141	(2)	(10,131,249)	(1,851)	-	(10,127,961)
	5,141	-	(10,131,249)	10,167,739	-	41,631
Net on-balance sheet financial position	945,517,366	(268,629,378)	20,021,130	(10,056,647)	(6,155,235)	680,697,236

The Group is subject to currency risk on financial assets and liabilities that are denominated in currencies other than the Lebanese Pound. Most of these financial assets and liabilities are in US Dollars and Euros. As disclosed in Note 1, the Group's assets and liabilities in foreign currencies are valued at the official exchange rate, whereas there is high volatility and significant variance in the multiple unofficial exchange rates in the parallel markets that have emerged since the start of the economic crisis and the de-facto capital control on foreign currency withdrawals and transfers overseas, and therefore, management is unable to determine what would be a reasonable possible movement in order to provide useful quantitative sensitivity analysis. The impact of the valuation of these assets and liabilities at a different rate will be recognized in the financial statements once the official exchange rate is changed by the relevant authorities. Also assets and liabilities in foreign currencies presented in the tables above include offshore assets and liabilities in foreign currencies that are held by branches operating outside Lebanon and thus are not subject to the de-facto capital control. Hence these cannot be perceived to have an economic value equivalent to that of onshore foreign currency assets and liabilities and should be viewed and managed separately.

Other Operational Risks

Litigation Risk

Litigation risk arises from pending or potential legal proceedings against the Group and in the event that legal issues are not properly dealt with by the Group. Litigation that may arise, whether from lawsuits or from arbitration proceedings, may affect the operations of the Group as well as its results.

Since October 17, 2019, and as a result of the de-facto capital control and other measures adopted by Lebanese banks imposing various restrictions of free flow of customers' funds deposited with the banking sector, the Group has been subject to an increased litigation risk. Management is monitoring and assessing the impact of existing and/or potential litigation and claims against the Group in relation to these restrictive measures taking into consideration prevailing laws, regulations and local banking practices. Although there are uncertainties with respect to outcomes of any litigation in connection with the adoption of the various restrictive measures, management considers that any associated claims are unlikely to have a material adverse impact on the financial position and capital adequacy of the Group.

Contingent liability

The Bank and two other third parties are respondents in an arbitration case filed by a non-resident company in front of the Lebanese Arbitration Center of the Chamber of Commerce, Industry and Agriculture of Beirut and Mount Lebanon since June 2018 in connection with a credit facility granted by the Bank to a non-resident customer. On September 24, 2021, the Arbitral Tribunal issued a decision providing that the Bank, in addition to the other respondents, committed dol inducing the claimant to enter into a subordination agreement related to the credit facility, that was declared null and void by the tribunal. However the tribunal did not award the claimant damages to be paid by the respondents, including the Bank, other than the arbitral costs of approximately USD2.5million which are jointly and severally due by all the three respondents. The claimant announced that it will reserve its right to claim for damages against all respondents, including the Bank, on the basis of their participation in the deception of the claimant. According to the Bank external legal counsel, the financial incidence of the Award on the Bank is relatively limited. In addition, the Bank is also contemplating the possibility of setting aside the Award as it disagrees with the content of the award declaring that respondents committed dol.

44. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Group determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

As a result of the unprecedented levels of uncertainty surrounding the economic crisis that Lebanon, and particularly the banking sector in Lebanon, is experiencing, as described in Note 1, management is unable to produce reasonable estimation of the fair value of financial assets and liabilities concentrated in Lebanon as the measurement of their fair value is either (i) dependent on prices quoted in a market that is severely inactive and illiquid; or (ii) determined using cash flow valuation models using observable market inputs, comprising of interest rates and yield curves, implied volatilities, and credit spreads.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2020 were approved for issuance by the Board of Directors in its meeting held on December 29, 2021.